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EUROPE'S BUSINESS NEWSPAPER
FINANCIAL TIMES

ARGENTINA
Menem's shuffle and reshuffle
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No.31,062 • FINANCIAL TIMES 1990 Wednesday January 31 1990 D 8523A

World News

Iran-Contra judge calls for Reagan diary entries

The judge in the Iran-Contra case of ex-White House aide John Poindexter ordered former President Ronald Reagan to turn over to the defence certain entries from his personal diaries.

Honecker released

Erich Honecker, the former East German leader, was released from detention after an East Berlin appeal court upheld a judge's refusal to order his arrest on charges of "high treason" because of his failing health.

US fears on Europe

The US is increasingly concerned that events in the Soviet Union and Eastern Europe are spinning out of control, posing fresh problems for East-West discussions on the future of Europe.

Pakistan stays firm

Pakistan does not want war with India over a Moslem rebellion in Kashmir but refuses to compromise over the region, Salimullah Khan, Foreign Minister of Pakistan said.

Sofia offers power

Bulgaria's ruling Communist party invited the independent opposition to form a government of national consensus, an offer which was immediately rejected.

Nato troops out

The Netherlands is stepping out of line with Nato by planning to withdraw 750 troops from West Germany.

Policeman killed

A policeman was shot dead in a clash with ethnic Albanians demanding political reforms in Yugoslavia's Kosovo province, security officials said.

Managanan amnesty

The Nicaraguan government is to grant amnesty to all the remaining Contra prisoners in its jails following an agreement between President Ortega and local Catholic church leaders.

Thai dockers strike

Dockers in Thailand paralysed the nation's trade in protest at government plans to allow private companies to operate a new deep-water port being built on the eastern seaboard.

Chinese laud troops

Chinese authorities in Tibet held a mass meeting to award more than 400 medals to police and troops who suppressed repeated demonstrations by Tibetan nationalists.

Boeing hits heron

A Dutch Boeing 747 with more than 400 passengers on board returned to Amsterdam's Schiphol airport shortly after take-off following a mid-air collision with a heron.

Missionary killed

An Italian missionary was killed and another was wounded when gunmen ambushed their car in northern Uganda.

Crew feared dead

All 19 crewmen of a Greek-registered cargo ship, the Flag Theofanis, were feared dead after it sank in a storm in the English Channel.

First verdict

A former official of the Christian Democrat group in Strasbourg won a place in legal history as the European Court of First Instance delivered its maiden judgment in his favour.

Business Summary

Cohen quits as chairman of troubled Shearson

Peter Cohen resigned as chairman of Shearson Lehman Hutton, troubled investment banking and brokerage subsidiary of American Express, amid speculation that Shearson is about to drop its planned public share offer.

ELF AQUITAINE

the French state-controlled oil group, said it would take a \$600m charge on Texasgulf, its US fertilisers subsidiary, dragging net profits last year down to an estimated FF7.2bn (\$1.12bn), less than the FF7.2bn it recorded in 1988.

AIRBUS CONSORTIUM

experienced production delays running at some \$180m because of the 12-week strike at British Aerospace BAe, said Michel Delabarre, French Transport Minister.

COPPER

closed at a 17-month low of \$1.901 a tonne as base metal prices declined across the board on the LME. Bearish sentiment largely reflected concern over unsettled world equity markets and a lack of fresh fundamental supportive factors.

DEUTSCHE BANK

is taking advantage of the buoyancy in the US Treasury market to seek DM1.65bn (\$900m) in a one-for-17 rights issue at DM600 per share.

CBI

the UK employers organisation, warned that Britain was on the edge of a recession and that unemployment would rise.

SANYO ELECTRIC

the Japanese electronics group, made worldwide net profits of ¥16.94bn (\$117.6m) for the year to November.

LONDON TRADED Options

Market: Record trading volumes in the Footsie index option was a feature of an active session. High volume in the FT-SE was due in large measure to yesterday's expiry, but also to one trade of 37,000 contracts believed to have involved Bankers Trust.

MOODY'S Investors Service

downgraded its assessments of Westpac Banking and the National Australia Bank (NAB).

JAPAN

has relaxed rules on the opening of large new stores in the wake of international criticism of its tightly controlled retail distribution system.

FIJITSU

the Japanese electronics group, is likely to top the \$400m investment originally expected in its microchip manufacturing plant in north-east England at Newton Aycliffe, County Durham.

BOEING

has reported sharply lower fourth-quarter earnings because of the "severe impact" of a 48-day machinists' strike which drastically curtailed deliveries of new airliners.

BEAZER

the UK construction company, has made a \$29m (\$47m) provision against its investment in Girvan, an Australian developer and contractor which collapsed with debts of A\$500m (\$296m).

Gorbachev agrees to principle of German unification

By Mark Nicholson in Moscow

MR Mikhail Gorbachev, the Soviet President, yesterday made his most positive statement so far on German unification, saying the principle of unity between East and West Germany was not in doubt. The matter should, however, be resolved responsibly and "not in the streets", he said.

Mr Gorbachev's remarks, quoted by the Soviet news agency Tass, preceded a meeting with Mr Hans Modrow, the East German Prime Minister, who flew to Moscow for talks with Mr Gorbachev and Mr Nikolai Ryzhikov, the Soviet Prime Minister.

In the past, the Soviet Union has stressed the obstacles to German unification. In a speech to the Communist Party Central Committee before Christmas, Mr Gorbachev said any discussion of the future of both Germans must proceed from "the post-war realities".

In particular, it had to take account of the 1975 Helsinki Accords, recognising post-war frontiers, and the responsibilities of the four victorious Second World War allies for Germany and Berlin.

He also warned the west against taking advantage of political turmoil in East Germany and said the Soviet Union would not allow harm to come to its Warsaw Pact ally.

After yesterday's meeting, Mr Modrow told a news conference that Mr Gorbachev had not ruled out the possibility of reunification.

The East German Prime Minister also asserted the importance of addressing unification in a broader European framework.

Tass quoted Mr Gorbachev as saying the question of unification was not a matter of principle, no one puts it in doubt.

In a clear acknowledgement of mounting pressure for German unity, expressed again by huge crowds in Leipzig on Monday, Mr Gorbachev said: "Time is pressing on this process, giving dynamism to it."

The course of recent events in East Germany and the Soviet Union demanded that the issue be given "profound reflection", he said.

The Soviet leader urged that the question of unity be dealt with under European agreements on security, co-operation and arms reduction, and in a further official Soviet

Gorbachev 'may quit as head of Party'

An American television correspondent in Moscow quoted an informed source as saying that Mikhail Gorbachev is considering resigning as head of the Soviet Communist Party, Reuters reports from New York.

Steve Hurst, Moscow bureau chief of the Cable News Network, said the source told him Mr Gorbachev would try to hold on to the Soviet presidency.

Hurst quoted the source as saying Mr Gorbachev had been depressed since Soviet forces stormed into the Azeri capital of Baku January 20 to put down ethnic unrest, as he would have preferred a political settlement.

Bonn to press for new export rules

By David Goodhart in Bonn

WEST GERMANY is preparing a fresh assault on Western restrictions on the export of militarily sensitive technology to the east bloc, especially digital telecommunications technology.

The Bonn Government argues that recent liberalisation moves by the US do not go nearly far enough in the light of recent political changes.

A West German initiative will be presented to a special executive committee of the Co-ordinating Committee on Multilateral Export Controls (Cocomb), which monitors such exports of potential strategic value to the east bloc, on February 14-15 in Paris.

This initiative, which Bonn claims has the backing of all the European members of Cocomb, is likely to irritate the US which had a top level Cocomb delegation in Bonn last week.

The US believes that it has been moving as fast as the uncertain political outlook allows, particularly in machine tools and computers.

Senior officials in Bonn say the main dispute in Cocomb between the US, the dominant and most conservative force in

Chances of recession in US have fallen says Greenspan

By Peter Riddell, US Editor, in Washington

THE current US economic slowdown is probably only a temporary pause in continued expansion, with a less than 50 per cent risk of recession, Mr Alan Greenspan, chairman of the US Federal Reserve, suggested yesterday.

In a detailed analysis of the outlook for the US economy, Mr Greenspan said the chances of a recession developing within the next six months had declined since last spring.

However, he warned that the risk was not "negligible" and thought that there would not be "a clear fix until well into the spring months" about whether the economy was out of the woods.

He described the current inflation rate of 4.6 per cent as "unacceptable" and said "inflation at this stage is the greatest threat of recession."

While the underlying cost structure had not accelerated, it had not decelerated either. He thought there had been some modest increase in inflationary expectations, both in the US and worldwide.

Mr Greenspan's comments indicate no change in the Fed's caution about a further cut in interest rates ahead of next week's meeting of its policy-making Federal Open Market Committee.

While playing down recent reports of Administration pressure on the Fed to reduce interest rates, Mr Greenspan admitted he was being told privately by White House advisers that interest rates could be lower.

He said recent public calls by Mr Martin Fitchwater, the White House press secretary, for a cut were "inappropriate."

The bulk of Mr Greenspan's testimony to the Joint Economic Committee of Congress was about the current state of the US economy following last Friday's figures which pointed to a marked slowdown in the fourth quarter.

While acknowledging that the Fed must stay alert to the possibility of a move wide spread downturn, he said, "such imbalances and dislocations as we see in the economy today probably do not suggest anything more than a temporary expansion of the economy."

He noted two "probability-of-recession" measures linked to the index of leading indicators which suggested that the Continued on Page 16 US capital gains tax cut 'likely', Page 3



South African riot policeman grabs protester in yesterday's demonstration against rebel English cricket tour

South African protest routed

By Patti Waldmeir in Johannesburg

SOUTH AFRICAN police fired rubber bullets and tear gas at blacks demonstrating against a rebel English cricket tour yesterday, further damaging the country's international image and increasing domestic tensions.

The six-week tour by the English cricketers, which began last week, is proving a serious embarrassment for Pretoria, with international media coverage highlighting considerable brutality by police in suppressing anti-tour demonstrations.

The team is defying an international sports boycott. Organisers of yesterday's protest claim that 30 people were injured when police prevented blacks from leaving the Mangungu township near Bloemfontein to attend a demonstration outside the sports stadium, where the English side was facing South African university cricketers.

Witnesses said black youths threw stones and set up burning barricades when their way was blocked by police, who said the demonstration was an illegal gathering.

Police responded with tear gas, rubber bullets and baton charges, and arrested 45 people. A demonstration later in the day, for which police had granted permission, passed off without incident.

The protests come at a time of growing unrest in South Africa. In the past two weeks, police and protesters have clashed in Cape Town after a protest over inadequate black education, and in Kimberley following an anti-tour demonstration.

Yesterday police also used tear gas to halt a protest led by Rev Allan Boesak, a leading anti-apartheid campaigner, at a squatter camp outside Cape Town.

Further clashes seem possible today and Friday, when the Mass Democratic Movement (MDM), the country's largest anti-apartheid coalition, plans marches in Cape Town. The MDM is taking an increasingly confrontational line, refusing to seek magisterial permission for the marches, one of which will mark the official opening of parliament on Friday.

Yesterday's police action in Bloemfontein contrasted sharply with President F.W. de Klerk's recent instructions to police to abandon what he

For they shall inherit the earth (and the mortgage)

By Robert Thomson in Tokyo

JAPAN'S future generations will soon be able to inherit more than family wealth. They will also be able to take on their grandparents' mortgages.

In a country where house prices are so high that many workers have mortgages of seven times their salaries, a leading finance corporation is offering 100-year loans - repayable over three or, in some cases, four generations.

Nippon Housing Loan Company, the largest specialist housing finance company in Japan, says the loans would be suitable for families who could otherwise not afford a home and for investors who wanted to reduce the inheritance tax imposed on their children.

Three years ago, another finance corporation began offering 50-year loans, which could be passed down to a second generation of home loan repayers, and the Nihon Mortgage Corporation put together a "99-year" loan package in November 1988. But the 100-

year loan is believed to be the longest of its kind for ordinary home buyers.

Mr Reiji Yasui, deputy chief of planning at Nippon Housing, said that the loans would probably be most popular among prospective buyers in the larger cities, such as Tokyo and Osaka, where land prices are highest.

Last year, land prices rose 28.7 per cent in Japanese cities after national rises of 22.6 per cent in 1988 and 57.5 per cent in 1987.

A detached house of 230 square metres (about three bedrooms) one and a half hours commuting distance from central Tokyo costs some ¥65m (\$445,205), while it is difficult to find a house for under ¥35m, \$230,000.

Under the terms of the 100-year loan, borrowers will pay interest at one percentage point higher than the prime rate, which is now 7.5 per cent - the standard housing loan interest rate is 7.89 per cent.

The company said the interest rate will be revised every third year to take account of shifts in the prime rate.

A borrower may begin repaying principal as well as interest when the child reaches adulthood, or three generations may pay only interest, and then settle the principal by selling the land.

Mr Yasui said that if the inheritor of the loan has no children, the terms should be renegotiated.

"The loan is very flexible," Mr Yasui said. "It would suit people who can't afford to buy land or people who have a lot of money and want to invest it in a condominium."

He said that single people were not eligible for such a loan, which would cut inheritance taxes because outstanding interest payments can be claimed as "necessary costs" and claimed as a tax deduction, while depreciation charges could also be claimed.

The average life expectancy of a Japanese man is 75 years and of a woman 81. Japan to relax store curbs, Page 5

CONTENTS

Table of contents listing various articles and their page numbers, including 'Recessions: Old fears return to haunt citizens of a new country', 'Trade Barriers: Opening the door to Japanese construction contracts', etc.

Markets

Table of market data including Sterling, Dollar, and Stock Indices, with columns for New York closing, London, and other relevant figures.

Moscow prepares for a Mac attack in Pushkin Square

"Only for roubles" - a sign outside McDonald's latest hamburger restaurant - is a statement of faith by the man who is nearing the end of a 14 year fight to build an outpost of the hamburger empire in Moscow. Page 14

STERLING

Table of Sterling market data, including New York closing, London, and other figures.

DOLLAR

Table of Dollar market data, including New York closing, London, and other figures.

STOCK INDICES

Table of stock indices, including FT-SE 100, FT Ordinary, and other market indicators.

LONDON MONEY

Table of London money market data, including 3-month interbank, closing 16 1/2, and other figures.

US Treasury Bill

Table of US Treasury bill data, including 3-month Treasury Bill, yield: 8.015%, and other figures.

Handwritten note: 'lighttron' and 'downtr'.

Handwritten note: 'HANNOVER MESSE 90'.

AMERICAN NEWS

Menem's Argentine shuffle and reshuffle

Gary Mead looks at the latest round of ministerial musical chairs in Buenos Aires

Instability, it would appear, is becoming as intrinsic to Argentine politics as beef is to Argentine diets. Yesterday's resignation of Mr Juan Bautista Yofre, as head of SIDE, Argentina's intelligence service, is just the latest in a growing line of abrupt departures by senior government officials.

Although Mr Yofre's departure has been in the air for more than a week, it appears to be unrelated to the discovery of hidden microphones all through the official residence of President Carlos Menem.

Nevertheless, in less than seven months, President Carlos Menem has lost half of his original team. Such a disconcerting flurry of comings and goings, combined with an accelerating series of economic emergency plans, suggests that his administration is facing considerable problems.

Perhaps the most alarming of the post-Christmas resignations was that of Mr Italo Argentino Luder as Defence Minister. Mr Luder appears to have resigned because General Isidro Caceres, the army chief of staff, snubbed him by failing to invite him to a dinner attended by President Menem and cabinet members.

Mr Luder has been replaced by Mr Humberto Romero, who qualified as a surgeon but later took to professional Peronist politics. Mr Romero was appointed Mr Luder's second in command at Defence when Mr Menem took office as President on July 8 last year. But Mr Romero resigned just over



President Carlos Menem: bogged in the Palace, now bothered by resignations in his government

one month later, a casualty of his chief's determination to bolster Gen Caceres against army dissidents led by ex-Colonel Mohamed Ali Seineldin.

Mr Romero takes a more favourable view of the nationalist aspirations of Mr Seineldin, who is himself the informal president of Gen Manuel Noriega's fan-club.

Other ministers have come and gone, pausing just long enough to change office nameplates. The turnrounds at the Ministry of Economy and the Central Bank still hold the record. Argentina is now into its third string of Economy

Ministers since July 1989. Mr Miguel Roig, the chain-smoking first incumbent, died following a heart attack after one week in office. His successor, Mr Nestor Rapanelli, survived the accusations of a Venezuelan magistrate of shady financial dealings during his period at the helm of a company in Venezuela, only to fall last December as confidence ebbed from his plans like the last notes of a midnight tango.

President Menem had tried to forge a grand alliance with Latin America's biggest multinational, grain-trading Bunge

and Born, from the ranks of which Roig and Rapanelli were chosen. That fell apart within 6 months; Mr Rapanelli's permanently fixed smile froze as he watched Argentina's currency, the austral, fall from an official rate of 650 to the dollar to 1,900 within days last December.

In troubled times it is perhaps a natural instinct to run home, which is precisely what President Menem did following the fall of the house of Rapanelli. The new Economy Minister still in place is Mr Menem's old economic overseer from La Rioja, the poor province poorly governed by

Mr Menem between 1973 and last July when he became president. Mr Erman Antonio Gonzalez took over Argentina's economy on December 15, having already moved twice within the Menem government.

His first post was as vice-president of the central bank. Mr Javier Gonzalez Fraga, Mr Egidio Iamella, and Mr Rodolfo Rossi have held the governorship of the central bank since July 1989; Mr Enrique Falcini has just taken over.

Mr Gonzalez's stint in the second rank of the central bank was followed by promotion to Minister of Health and Social Welfare, a post now occupied by Mr Eduardo Banza (previously Interior Minister). One of Mr Gonzalez's first acts was to expropriate all short-term bank deposits over 1m australs (about \$500 at current exchange rates).

The factionalism within the Peronist government confirms the worst suspicions which many had when Mr Menem won the presidency last May. At a time when the country's economic prospects are as dim as at any time for many years, Argentina can ill-afford the squabbles and place-seeking which have traditionally prevented the country from realising its potential. President Menem may increasingly be surrounded by figures neither he nor the country can trust, but he himself still suffers from a familiar Argentine affliction, the notion that shuffling personalities is a substitute for developing policies.

IMF team unlikely to grant pleas for more time

By Gary Mead in Buenos Aires

THE OLD IDEA that "a sunny day is a Peronist day" is looking a little tarnished. As temperatures have soared to a record-breaking 37 degrees centigrade, President Carlos Menem's neo-Peronist government has wilted.

February begins with the International Monetary Fund, which currently has a team in Buenos Aires, raking over the figures of a collapsed letter of intent signed scarcely four months ago. If the IMF's principle of conditionality is to avoid another dent, it must surely return to Washington with a thumbs-down for the current loan arrangement for Argentina.

The terms of the IMF's latest arrangement with Argentina - a debtor which has avoided all interest payments on its \$60bn foreign debt since April 1988 - set targets which Argentina now has no hope of meeting in 1990. The Argentine government is pleading for a waiver, in order to obtain the second tranche (worth \$230mm) of the \$1.6bn loan.

But the IMF must be uncomfortably aware that if Argentina is left off the hook, many other similarly recalcitrant recipients of IMF handouts will take note and act accordingly.

The Menem government pledged itself to inflation of no more than 15 per cent during 1990; a reduction of the fiscal deficit to 1.25 per cent of gross domestic product and growth of 5 per cent. With inflation likely to be in excess of 60 per cent in January alone, the fiscal deficit still an unbridged chasm, and a domestic recession of unprecedented levels in full swing, October 1989's letter of intent has been torn to shreds.

In the third week of January the government's attempt to hold down wage increases collapsed when public and private sector unions signed deals giving increases of between 100 and 170 per cent.

The finger of blame can hardly be pointed in any direction other than the government, and President Menem himself. Rather than obey his own dictates of last July when he promised "surgery without anaesthetic" he has followed the line of previous governments. It has printed money to cover government expenditure and has let tax avoidance continue unabated.

Thus Mr Rodolfo Rossi - appointed central bank governor

mid-December, removed mid-January - came in with the usual flourishing promise of "no more printing of money."

On January 17 the central bank, then still under Mr Rossi, officially admitted to the printing of an additional 1bn australs (current exchange rate 1800 australs = \$1). A serious falter in economic policy made worse by President Menem when the next day he denied that the central bank had printed the new notes - despite the fact that the admission was made by Mr Rossi himself.

The printing of increasingly worthless notes was made necessary by the government's inability to say no to hand pressed trade unions.

In the third week of January the government's attempt to hold down wage increases exploded, when public and private sector unions of all types signed deals giving increases of between 100 and 170 per cent - to be renegotiated in February in the light of the latest inflation figures. What is depressing for many ordinary workers is that even such mammoth settlements still leave them far behind 1989's accumulated inflation of almost 5,000 per cent.

Nicaragua amnesty for Contras

By Tim Coone in Managua

THE NICARAGUAN government is to grant amnesty to all the remaining Contra prisoners in its jails following an agreement made on Monday evening between President Ortega and local Catholic church leaders.

In return President Ortega called on the US and Honduran governments to facilitate the release of prisoners held in the Contra camps in Honduras and to accelerate the Contras' demobilisation in accordance with the Central American peace agreements.

Some 1,090 prisoners will benefit from the total amnesty, including 39 ex-National Guard officers of the regime overthrown in 1979 who were not included in a partial amnesty last year. The 39 were found guilty of serious human rights

crimes during the civil war which culminated in the 1979 revolution. Both the Contra leadership and the opposition alliance, UNO, have made repeated calls upon the government for a total amnesty as a confidence-building measure.

In recent weeks a number of prominent Contra leaders have returned to Nicaragua to participate in the electoral process.

President Ortega had said previously that the total amnesty would only be made when the 12,000-strong Contra force had been disbanded. After suspending a 19-month unilateral ceasefire last November he then softened his line, proposing a 50 per cent demobilisation in return for the amnesty, which was rejected by the Contras. Then

last week he said that all the Contra prisoners would be released if the ruling Sandinista party wins next month's elections.

The concession made on Monday appears to be in response to a recent Contra offer to suspend its military operations until after the elections. An increase in Contra military activity led to the suspension of the government's 19-month ceasefire.

The government has not responded directly to the Contra offer, saying only that the Contras should be disbanding instead of offering a ceasefire. The amnesty measure though will place the onus on the Contras and their US backers to respect the electoral process. General elections will be held on February 25.

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AMERICAN NEWS

Californian insurers win court victory

By Patrick Cockburn

INSURANCE companies in California have won a big victory this week in their battle with consumers organisations seeking to cut motor insurance rates. The state Supreme Court in San Francisco has decided to allow insurers to refuse to renew policies and to withdraw from the state.

The court rejected, in a 4-3 decision, the case of insurance commissioner Rosand Gillespie that four companies belonging to Travelers Corporation could not leave the state without ensuring cover for policy holders.

Since a majority of California voters backed Proposition 103, cutting the cost and increasing availability of insurance, in a ballot in 1988 insurance companies have fought in the courts to limit the initiative.

Travelers and other insurance companies have threatened to pull out of California because they face big underwriting losses as a result of Proposition 103. Overall, however, insurers are unlikely to abandon California where property-casualty premiums total \$30bn a year.

But the court decision, by opening up the option of total withdrawal, provides ammunition for insurers attending hearings before Judge William Fernandez at San Bruno, near San Francisco, which are to decide a fair rate of return for insurance companies in California. Last May the state supreme court upheld most of the provisions of 103 but said insurance companies must receive a fair rate of return.

The state Department of Insurance, criticised for failing to implement 103, has promised to produce a ruling on premiums to be paid by consumers within the next month.

According to the court decision: "Proposition 103 does not prevent an insurer from discontinuing its California business." In dissent Justice Allen Broward argued that Travelers' firms should seek the commissioner's approval before withdrawing.

He wrote: "Proposition 103 was not enacted to make it easy for insurers to terminate coverage, but to make insurance more available to Californians and to protect them against loss of coverage."

US capital gains tax cut 'likely'

By Peter Riddell

MR Nicholas Brady, US Treasury Secretary, yesterday expressed confidence after talks with congressmen that a cut in capital gains tax would be enacted this year, having been blocked last November after a lengthy battle.

At a post-budget briefing, Mr Brady argued that the new savings package would help lift the low US national savings rate towards historical and international averages, while helping to increase productivity, lower interest rates and raise the US standard of living.

Apart from a cut in capital gains tax, the package also includes a new family savings account with tax incentives for those making long-term savings and provision for individual retirement account participants to withdraw up to \$10,000 without penalty, prior to retirement, to buy a first-time home. This is provided the house costs no more than 110 per cent of the median price in the area.

Mr Brady's optimism about a cut in capital gains tax is justified by comments from Democrats. They believe some version will pass as part of a wider savings package of the kind proposed by the Administration and anyway being considered by Congress.

Canada puts brakes on interest rates fall

Dollar plunge brings caution to easing up on inflation fight, writes Bernard Simon

AN unexpected plunge in the Canadian dollar has strengthened the view that an abrupt fall in domestic interest rates earlier this month will not be sustained.

The drop in rates, which at one point narrowed the gap between US and Canadian short-term Treasury bill yields from 430 basis points (hundredths of a percentage point) to about 300 points, pushed the dollar down by almost three US cents, a far bigger drop than foreign exchange traders had expected, or than the Bank of Canada apparently wanted.

The dollar has traded lower than 84 US cents in the past week.

The tumble in the Canadian dollar caused by the relatively small fall in interest rates reinforces a widely-held view that the Bank of Canada's watchword is likely to be caution. The bank's governor, Mr John Crow, told a parliamentary committee earlier this week that rates "rates have to be reduced in a reasonable and sustainable fashion".

The central bank responded to the sudden weakness in the currency by pushing short-term interest rates up. By Tuesday this week, the yield on three-month Treasury bills had climbed back to 12.3 per cent, compared with 11.9 per cent when the bank sent

its initial signal that it was ready to relax its interest-rate policy.

However, economists remain virtually unanimous that three-year period of high interest rates is over. According to Mr Crow, "we are doing our best to bring down interest rates".

Where they differ is on how far and how fast interest rates will now fall. Toronto Dominion Bank's economics department expects rates to come down by "a couple of hundred" basis points by mid-year. On the other hand, the Conference Board of Canada forecasts that banks' prime rate will be 12.75 per cent in December, not much lower than the present 12.5 per cent.

The economy is showing clear signs of slowing, with some key sectors, such as motor vehicle and newspaper manufacturers, heading for the doldrums.

There is encouraging news on the inflation front, which has been the Bank of Canada's main concern since 1987. The consumer price index fell in

December for the first time in seven years. Seasonally-adjusted prices rose by an annualised 4 per cent in the final three months of 1989, well below the 5.2 per cent rate for the year as a whole.

The central bank remains concerned that a steep drop in interest rates would raise the threat of fresh inflationary pressures. If the spread between US and Canadian rates narrows further, selling pressure on the dollar is bound to increase. ScotiaMcLeod, the Toronto securities firm, estimates that without central bank intervention, the dollar would drop to 78 US cents if the interest rate gap narrowed to less than 300 basis points.

With imports making up about a third of the consumer price index basket, a weak currency would have a significant inflationary impact. The Conference Board's chief economist, Mr Jim Frank, estimates that an average exchange rate of 82 US cents this year would drive the inflation rate up from 4.9pc to 6.1pc.

Ottawa can cushion the dollar's fall for some time by using some of its vast foreign exchange reserves, which have quadrupled to more than US\$16bn in the past three years.

The spectre of accelerating inflation has by no means vanished, despite the encouraging

news last month.

Last year was the worst year for inflation since 1983. And there is little hope of a marked easing in price pressures over the next year, even though business activity is likely to slow further. (Many economists are predicting a short recession either late this year or in 1991.)

Mr Leo de Bever, chief economist at Crown Life Insurance, expects the CPI to move up by about 4.5 per cent this year and by as much as 6 per cent in 1991.

The January 1990 CPI figure is unlikely to repeat December's fall. Several federal and provincial taxes were raised at the beginning of the year, and food prices have risen sharply

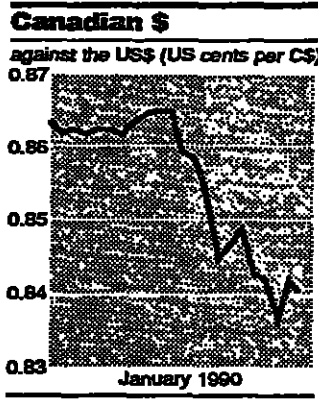
in the wake of December's abnormally cold weather.

A longer-term threat comes from demands for hefty wage increases, the very problem that prompted the Bank of Canada to launch its unusually independent interest-rate policy three years ago.

With a slowdown looming, unions are pushing for a bigger slice of the record corporate profits of the past few years. Several key labour contracts are due to be negotiated this year, notably those for the Big Three motor manufacturers and the construction industry.

Workers preparing their wage claims also have their eye on the 7 per cent Goods and Services Tax (GST), due to be introduced in January 1991 as a replacement for the existing manufacturers sales tax. The government estimates that the GST will give a one-off 1.25 percentage point push to the CPI, although many economists think that is optimistic.

With an eye on the GST's inflationary potential, the authorities will probably want to hold prices down by encouraging competition. One way to do that will be to avoid any excessive stimulus to the economy, which is one more reason why interest rates may not be allowed to fall much further until there is clearer evidence that inflation has been beaten.



Reagan diary called for in Contra case

THE JUDGE in the Iran-Contra case of ex-White House aide John Poindexter ordered former President Ronald Reagan on Tuesday to turn over certain entries from his personal diaries to the defence, Reuters reports from Washington.

Defence lawyers have described Mr Reagan as one of their most important witnesses, claiming he would provide crucial evidence showing that Mr Poindexter's actions had been known or approved. They issued a subpoena for his personal papers and records.

Judge Harold Greene, in a 16-page ruling, said Mr Reagan has until February 5 to give Mr Poindexter copies of all diary entries on six specific Iran-Contra categories and for 29 dates ranging from July 17 1985, until December 2 1986, right after the scandal became public.

Judge Greene said the subpoena seeks classified, and highly sensitive information.

He did not elaborate.

Mr Reagan's diaries, if disclosed, could shed new light on his role in the affair that caused the worst crisis during his eight years in office. The scandal involved the sale of arms to Iran and the diversion of profits to US-backed Contra rebels in Nicaragua.

Judge Greene said it would be up to Mr Reagan to decide whether to assert executive privilege claims in refusing to turn over the diary entries.

If Mr Reagan claims executive privilege, there would be a hearing in open court on whether the diaries were material and crucial to Mr Poindexter's defence.

But Judge Greene already has reviewed the material in secret and it probably would be difficult for Mr Reagan and the Justice Department to change his mind and convince him that diary entries were not needed for Mr Poindexter's defence.

Inquiry agreed into killings in Mexican states

THE Mexican Government has agreed to an investigation into political killings in the states of Michoacan and Guerrero, writes Richard Johns in Mexico City.

In consenting to a bi-party inquiry, Mr Fernando Gutierrez Barrios, Minister of the Interior, made what amounts to a big concession after talks with leaders of the left-of-centre opposition Party of the Democratic Revolution (PRD) on Monday.

The Government had previously dismissed the bloodshed as a local affair in two states with a tradition of violence but the incidents are potentially embarrassing with the administration of President Carlos Salinas de Gortari trying to project an image of modernity abroad.

The PRD alleges that 53 of its activists have been murdered since the general election in July 1988 with the majority of the murders said to have been committed since the hotly disputed municipal polls on December 3 1988.

Phones group unveils \$10m education grant

US West, the Colorado-based telephone company quoted on Wall Street, yesterday unveiled an unusual \$10m corporate grant to fund early-childhood education programmes, writes Alan Friedman in New York.

The grant, one of the largest commitments to education by a private sector US company, is part of a \$26m education fund approved by Mr Jack MacAllister, the philanthropic 62-year-old chairman of US West. Mr MacAllister, who announced the early-childhood plan in New York, said the aim was to help train the parents of 600,000 children in 14 western states living below the poverty line. He said the number of economically disadvantaged children who could benefit nationwide stood at 4.5m.

US West's contribution, which will go to tax-exempt charities and some public schools, comes when the Bush Administration is being accused of devoting insufficient resources to education.

Falklands company urged to be more accountable

By Robert Graham

THE FALKLANDS Islands Company, which dominates the British dependency's economy, should retain its current identity but be made more accountable to the islands and become more involved in new business prospects such as mineral exploitation.

These are some of the conclusions contained in a consultant's report commissioned for the parent company, Anglo United, the mining and fuel distribution group.

The report follows Anglo United's takeover last August of Coalite the FIC's traditional owner. "We are pleased that it confirms the direction in which we already see the company heading and we certainly do not intend to dispose of it", Anglo United said yesterday.

The report, prepared by Environmental Resources, suggests the company must continue to balance its business development with the islanders' sensitivities over its continuing presence in so many sectors.

The FIC, for example, controls 27 per cent of the land and 32 per cent of the wool produced on the island, 50 per cent of wool externally marketed, 75 per cent of shipping agency business and control of coastal shipping plus 80 per cent of non-military cargo between the UK and the Falklands, and 70-80 per cent of retailing.

To ensure local interests are heeded, the report suggests greater openness in the company's affairs, a resident chief executive (already implemented) and a degree of local equity participation.

On the development front, the report urges the undertaking of a comprehensive mineral survey of FIC-owned land, and a degree of local equity participation.

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WORLD TRADE NEWS

Machinery sales to East Germany 'likely to triple'

By David Marsh in Bonn

WEST GERMAN mechanical engineering companies are likely to triple sales to East Germany in the next two or three years, to an annual total of DM6bn (£1.8bn) to DM6bn, as industrial co-operation between the two German states gains ground.

This is the forecast of Mr Raimund Hörth, an expert on eastern European business at the German Machinery and Plant Manufacturers' Association (VDMA).

Mr Hörth estimates that West German machinery manufacturers, which sold roughly DM1.6bn-2bn worth of equipment to East Germany last year, will share in a likely investment boom after a new government is established in the March elections. "I believe deliveries will be at least DM5bn-6bn by 1991-92," Mr Hörth said.

Other industry observers believe his prediction is over-optimistic, in view of the long delivery times around a year for even standard pieces of West German machinery.

But he pointed out that West German engineering companies were likely to purchase components and sub-sections from abroad to meet demand in East Germany if re-equipment there gained momentum. Environmental technology projects as well as Volkswagen's plan

for a DM5bn East German car joint venture were likely to bring large-scale orders for German machinery sub-contractors, Mr Hörth added.

Machine-tool makers were also likely to be first to receive orders for modernising East Germany's industrial fabric.

Although West Germany machinery makers have in the past criticised export control restrictions for dampening East bloc business, Mr Hörth hoped the rules policed by Cocom, which vets technology exports to the East Bloc, would soon be made more flexible.

The West German machinery sector is made up overwhelmingly of small and medium-sized companies, with roughly 90 per cent of VDMA membership made up of companies with fewer than 500 employees.

About 400 West German machinery and plant manufacturers were started up after World War II by East Germans who fled to the West or had had their businesses confiscated.

The VDMA reckons that the East German machinery sector could soon revert to the industry's traditional small business structure if the giant state-owned Kombinat companies are allowed to split up under future restructuring plans.

Japan vehicle exports drop by 3.6% to 5.9m

JAPAN'S vehicle exports fell 3.6 per cent to 5.9m in 1989, from a year earlier, and are likely to continue dropping this year, an official of the Japan Automobile Manufacturers Association (JAMA) said yesterday. Reuter reports from Tokyo.

Industry analysts attributed the fall to weak demand in the US and strong Japanese domestic demand, which diverted some production away from exports. Another reason was rising output by foreign subsidiaries of Japanese carmakers.

It was the fourth successive annual drop from a peak of 6.7m cars, trucks and buses in 1985. Japan is the world's largest

vehicle exporter. "Japanese vehicle exports will be flat at best in calendar 1990," the JAMA official said, adding that the industry expected US sales to be poor this year.

Total vehicle exports to the US fell 9.9 per cent from a year earlier to 2.4m in 1989, while car exports to the US dropped 5.2 per cent to 1.9m.

Vehicle exports to the European Community rose 2 per cent to 1.2m in 1989, but growth has been moderate because of the monitoring system imposed by the EC.

A Japanese research institute predicted Japan's vehicle exports would fall to about 5.5m in 1990.

Bill seeks to give US banks a fair deal abroad

By Nancy Dunne in Washington

THE chairman and leading Republican on the Senate Banking Committee have joined forces behind legislation requiring reciprocal treatment for American banks seeking markets abroad.

Targeted particularly towards Japan, the legislation has the backing of Senator Donald Riegle, chairman of the Senate Banking Committee, Senator Jake Garn, the senior Republican, and a bipartisan group of seven other senators.

The bill, entitled the Fair Trade in Financial Services Act, requires the US Treasury to negotiate equal treatment for US banks overseas. It permits US banking and securities regulators to turn down applications for regulatory approval for expanding activities filed by foreign banks and securities companies of countries found to be discriminating against American banks.

Such rejections would not force foreign financial companies to shrink their existing operations, but it would limit their future expansion.

In a statement on the Senate floor, Senator Riegle expressed alarm that foreign banks now control over one quarter of all banking assets booked in the US. Japanese banks have 14 per cent of such assets, and in California, 25 per cent.

In contrast, the share of banking assets held by American banks, like other foreign institutions, has been declining in Japan. The US share of the Japanese market is now 1 per cent.

Japan's central bank yesterday warned Japanese companies that increasing their overseas investment might cause friction with other nations, Reuter reports.

The Bank of Japan said in a quarterly economic study that foreign investment by Japanese corporations had been increasing rapidly.

"Such trends, if they proliferated, could endanger the free trade system, thereby having negative implications for the world economy," it said.

A string of recent Japanese acquisitions in the US has sparked calls among some US lawmakers for curbs on foreign investment in America.

Japanese bend on contract barriers

US sees the door slowly opening to foreign bidders

THE Japanese construction market has begun to show signs of yielding to US pressure that it open its bidding processes to foreign contractors.

As a number of deadlines approach for US retaliation, movement has begun on several fronts which indicate that the Japanese have acknowledged that the US is serious in its demands for the market-opening.

"They are responding, although not as rapidly as we would like," said Senator Frank Murkowski, the Alaska Republican who has taken the lead in Congress on the issue.

"But it is a crawl-before-you-walk-before-you-run situation. We're encouraged with progress because we've come from nothing in four years."

Late last year, Mrs Carla Hills, the US Trade Representative, said that Japan had "unreasonable" trade barriers in construction services, but she delayed any retaliation until May on the grounds of the progress thus far.

The US and Japan have a two-year construction market-opening agreement ending in May, which thus far has achieved disappointing results in dollar terms.

US companies, promised access to bidding on 14 major projects, have won contracts worth a mere \$200m.

The Japanese say American companies have contracts worth about \$250m on other projects.

The US disputes the details - insisting that the figure includes Otis elevators and IBM computers - but it hardly matters in the context of a

total market estimated at almost \$500m a year.

SKIL Senator Murkowski and US industry see promise in the following actions:

- Thirteen joint venture agreements between US and Japanese companies.
- An easing of the licensing procedures which has yielded 14 licences for US companies, up from zero.
- Sixteen awards to US companies since the inception of the market-opening agreement, including a share for Bechtel in an \$800m Haneda airport terminal project.
- The start of talks between the two industries, including an invitation to US companies to join the Japanese Federation of Construction Contractors (JFCC) and a personal commitment by the JFCC's chairman to help US firms gain more market share.
- Recent actions by the Japan Fair Trade Commission (JFTC) to pursue big-bidding cases.
- Senator Murkowski, who in December was invited to Japan by Mr Shozo Harada, the Japanese construction minister, last week hosted a meeting in Washington with Mr Hajime Sako, chairman of the JFCC, American industry representatives and US officials.
- Mr Mark Chaglin, representing the US International Engineering and Construction Industries Council, said the meeting went "reasonably well" but insisted that Japanese companies still "manipulate the process so US firms can't get too much work".
- The Japanese argued that their estimated \$2.6bn share of the US construction market, about one-third included pro-



Murkowski - encouraged with progress after four slow years

erties purchased by Japanese money and developed in the US and another third included projects for Japanese companies in the US. Mr Sako promised to pursue changes in Japan's anti-monopoly laws.

This fits in neatly with Mrs Hills' broader Structural Impediments Initiative, which has been focusing on anti-competitive Japanese practices. An interim report outlining what actions Japan will take to rectify the US-Japanese trade imbalance is due out in April, and the "downpayment" Mrs Hills has demanded could include a promise to fortify the JFTC.

A number of deadlines imposed by legislation will also keep the heat on during the next six months.

By the end of April, the US Trade Representative and the Department of Transportation must issue evaluations about access for US contractors to

airport construction projects around the world.

A negative finding could shut the Japanese out of US airport projects.

In May, Mrs Hills must decide whether to retaliate under the earlier Section 301 complaint or to take the issue to the General Agreement on Tariffs and Trade, under a law requiring US access to foreign government procurement procedures.

It all comes down to brinkmanship, Senator Murkowski said. "Let's face it, they look at us and they say: 'Are we being consistent or are we going to roll over?'"

He is fully aware of the power of the construction lobby and says: "We're dealing with politicians that operate on the squeaky wheel theory". However, he hopes to counter it with US pressure on the Japanese government and appeals to the Japanese taxpayers that they are getting "rippled off by the process".

The senator saw the construction issue as just "the first wave" and predicted that banking would be the next trade issue to blow up.

"The California scene is 24 per cent controlled by Japanese banks. We don't have our bank in there. They have accumulated all this cash as a consequence of the balance of payments."

They are taking the cash and buying our assets. They're also financing them."

Both sides, he said, were playing under different rules. Both sides had to change.

Egypt pipeline transit fees raised by 25%

By Max Rodenbeck in Cairo

RESPONDING to buoyancy on the world oil market, the owners of the Sued pipeline which traverses Egypt from the Red Sea to the Mediterranean have raised transit fees by a quarter and announced plans to boost capacity by 50 per cent.

Pipeline users paid an average \$2 per tonne last year. On January 1, the average cost rose to \$2.5.

The Arab Petroleum Pipelines Co, which runs the pipeline, says it is taking an increasing share of Gulf oil exports to Western Europe.

Company officials said Sued pumped 54m metric tonnes last year. Deliveries via the Suez Canal were only 12m tonnes, while 36m tonnes of Gulf crude reached Europe by way of the Cape.

A discount scheme whereby supertankers unable to transit fully laden will be able to discharge into the pipeline before crossing the canal, is expected to boost demand.

Iran signs \$1.2bn refinery contract

Iran has signed a contract with a consortium of Italian and Japanese firms to build a \$1.2bn oil refinery at the Gulf port of Bandar Abbas. Oil Minister Gholamreza Azgash said yesterday. Reuter reports from Nicolas.

He said on Tehran Radio the contract with Chiyoda Corp. of Japan and Italy's state-owned Snamprogetti Spa envisaged the building of the refinery in 36 months.

Iranian television said the contract for the refinery, which would process 220,000 barrels per day (bpd) of heavy crude and 12,000 bpd of liquids from the nearby Sarkhoon gas complex, was signed on Monday.

Hospital contract for Turkish project

TURKEY'S Pet Holding has been awarded a contract valued at \$70m (\$43.7m) to build a hospital for the Zibzab steel works in Novokuznetsky, Soviet Siberia, Jim Bodgener reports from Ankara.

The contract is due for completion in three years after work can begin, probably in May. The Turkish company won the order against Chinese and Yugoslav bidders.

Poland warned not to limit exports

THE Polish Government has been warned industry will suffer widespread redundancies and even factory closures if it goes ahead with plans to limit exports this year to the Soviet Union, Christopher Bobinski reports from Warsaw.

The warnings came from representatives of over 50 exporters who heard earlier this week that decisions are to be taken soon on withdrawal of export licences for at least some engineering and electronics items in a bid to reduce Poland's trade surplus this year.

Last month, Hungary, which has a mounting surplus in its soft currency trade with Comecon countries, announced it was unilaterally suspending deliveries, pending review of export licences.

But Warsaw wants to limit its surplus with the Soviet Union and stick to an agreement to balance mutual trade in the present five-year plan which ends this year and puts off repayments of Poland's \$85bn (\$9.73bn) debt until after 1991.

At the same time, this year's economic programme agreed

with the International Monetary Fund assumes Poland will run a hard currency balance-of-payments deficit limiting Western debt servicing to a minimum.

Trade protocols for last year set Polish deliveries to the Soviet Union at Rhs7.1bn, and long-term plans foresaw a Rhs200m Polish trade surplus this year. Deliveries over this figure will also put a strain on the budget, which, given the relatively low zloty-rouble exchange rate, is forced to subsidise sales to Comecon countries.

Talks with Mr Konstantin Katushev, Soviet Trade Minister, on this year's as-yet-unsigned trade protocol showed Moscow is ready to import an extra Rhs1.6bn-worth of engineering goods, while Polish exporters have tentative contracts for a further Rhs1.2bn-worth of deliveries.

Threatened exporters argue that aside from the social costs, imposition of limits on exports will lose Poland important Soviet market sectors as Comecon switches to calculating trade in convertible currencies.

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OVERSEAS NEWS

Japan to relax curbs on opening large stores

By Stefan Wagstyl in Tokyo

JAPAN HAS started relaxing rules on the opening of large new stores in the wake of international criticism of its tightly-controlled retail distribution system. The Ministry of Trade and Industry is still studying proposed revisions to the rules, which would greatly reduce delays, sometimes lasting 10 years, faced by companies planning to open new stores. The proposals were due to have been published last year but have been postponed until after next month's election because of intense political interest in the issue. The ruling Liberal Democratic Party, which is fighting to maintain its parliamentary majority, owes a great deal of its urban support to the efforts of small shopkeepers who stand to lose out if more large stores are allowed to open. But in practice the number of permits granted for new stores has been increasing steadily since 1987. According to the Ministry for International Trade and Industry, 163 new large stores of 1,500 sq metres or more in floor space opened in the six months from March to September 1989, the first six months of the Japanese financial year. That compares with 244 in the whole of the 1988-89 financial year, and 203 in 1987-88. The Japan Council for Shopping Centres, an industry club, says the numbers are likely to continue increasing. Japan now has 1,429 shopping centres, says the council, which have opened over the last 20 years. A further 1,500 are planned. "We hope it will take a bit less than 20 years for

these to open," said a spokesman. Japan's trading partners hope that an increase in large stores will lead to an increase in sales of imported goods since big retailers are more willing to stock foreign products. However, not all the stores classified as large by the ministry are big enough to sell a wide range of goods. Many are no more than local food stores or small supermarkets stocking food and household goods. Mr Mike Allen, the stockbroker analyst at BZW, the stockbroking arm of Barclays Bank in Tokyo, said yesterday the rush of store openings mainly involved chain stores. Companies operating big stores of 10,000 square metres and more in floor space were also expanding, but they were concentrating on increasing the size of existing stores or replacing small ones with large ones, said Mr Allen. Under the law, small shopkeepers have the right to delay the opening of a new store in their area by repeatedly questioning the would-be operator's plans. Mr Allen's plan is to limit this consultation to a maximum of two years. But the impact of the change is likely to vary since the interpretation of the law differs between local authorities. A spokesman for the Tokyo said: "Ideally, the law should be abolished to promote competition and bring down prices for consumers. But if the law is now managed properly we will be satisfied." Tokyo bends on construction, Page 6

Restless Moslem fringe worries Peking

China's leaders have an anxious eye on the minorities beyond the Great Wall, reports Colina MacDougall

CHINA'S leaders, observing ethnic tensions boiling over in the Soviet Union in the wake of glasnost, are anxiously considering their own restless minorities. Last week Wang Ruman, Peking's ageing but battle-hardened provincial governor in Xinjiang - Chinese Turkestan, as it was once called - ordered new measures to prevent ethnic unrest and "counter-revolutionary rebellion". This phrase is code for anti-party protest, but Peking has reason to fear more than just pro-democracy demonstrations, for historically China has seen devastating Moslem revolts. The party is already in trouble after the slaughter of demonstrators in Peking last summer and the current unpopular tough economic demonstrations, for historically China has seen devastating Moslem revolts. Chinese leaders are determined to prevent any copying of events in eastern Europe and the Soviet republics. Unlike the Soviet Union, where non-Russians amount to almost half the population, China's minorities number only around 7 per cent. But these minorities live mainly in China's vast fringe areas to the west and north. These Moslems, Mongolians and other folk share traditional cultures with peoples across the frontier and have no love for the Chinese. These areas are heavily militarised, ostensibly because of the long frontier with the Soviet bloc but as much for internal security. Xinjiang and Inner Mongolia in particular have strong ethnic links with the nearby Soviet empire, and Xinjiang, criss-crossed since time immemorial by east-west trade routes and nomadic herdsmen, has a long tradition of shifting allegiances. Xinjiang is home to about 13m people, of whom 6m or more are Turkish-speaking Moslems, the Uighurs. They form around half the population of the so-called Xinjiang Autonomous Region, and with the sprinkling of assorted also Moslem Kazaks, Tajiks, Uzbeks and Tatars, they easily outnumber the ethnic Chinese. Other provinces and regions, notably Gansu and Ningxia, have substantial Moslem minorities, though these are Hui (the much-intermarried descendants of Arab traders) rather than tribespeople. Historically the Chinese feared cen-

tral Asians - most notably Genghis Khan and his Mongol hordes - as barbarians who swooped down periodically to grab the benefits of civilised life. The Great Wall was built to keep them out, unsuccessfully as countless invasions showed. Chinese armies have fought over Xinjiang innumerable times, perceiving a constant threat unless the territory was pacified under Chinese rule. But only when the Chinese empire was at its height has Peking genuinely controlled the region. After the First World War it was ruled by warlords loosely subject to China's Nationalist government, and there was even a brief independent Islamic "east Turkestan Republic". But with the communist victory in 1949 Peking took control, and has since attempted to develop the economy and solidify the ethnic Chinese presence. In the middle 1950s Xinjiang's population was still only around 5m, of which 3.5m were Uighur, with ethnic Chinese numbering only about 200,000. Since then the Chinese farm plots, who differ from all the central Asians in race, religion, language, customs and appearance, have poured in to work in the new industries. On top of those, untold numbers have come as prisoners serving near-life sentences for political crimes. Today, as in China's minority areas nationwide, the Chinese hold all the top jobs. The post-1949 influx has wreaked havoc with the traditional economy and way of life without much improving the standard of living. Centuries-old irrigation systems were damaged irrevocably by domestic Chinese farm plots, and nuclear radiation has spread and nuclear tests at the Lop Nor site have contaminated huge areas. In the Cultural Revolution the Uighurs, especially the religious, were cruelly persecuted and their mosques destroyed. While some have been rebuilt and a modest amount of cultural freedom encouraged, the Chinese are deeply unpopular. In recent years there have been regular outbreaks of inter-racial violence, with serious fighting in Kashgar in 1981 and 1988 and disturbances in other centres such as Yining, close to the Sino-Soviet border. One ep-



isode last year shows clearly how militant the Moslem community in China can be. Last May, during the throes of the Peking democracy movement, a violent crowd stormed party and government headquarters in Yrumai, Xinjiang's capital, denouncing a Chinese book which had explained mosque architecture and decoration in terms of sex. This protest was echoed round the country wherever there was a Moslem community, a warning to Peking that it was not immune to the tide of Islamic fundamentalism sweeping the world. Currently China's Inner Mongolian region is a less sensitive but perhaps ultimately as threatening a problem as Xinjiang. The new and unexpected role of Mongolians demanding a bigger role in government across the border in the Mongolian People's Republic could be seriously unsettling. Since 1924, when Soviet forces set up the communist regime, the Mongolian People's Republic has been Moscow's most faithful satellite and for the 30 years of Sino-Soviet split, completely cut off from Inner Mongolia. With glasnost, however, the Mongolians are coming out of their shell, travelling more and widening their trade and cultural contacts. This, plus the news from eastern Europe, precipitated the two pro-democracy demonstrations in Ulan Bator, the capital. Ironically the Mongolian population

in China's Inner Mongolian Autonomous Region, at 3m, outnumbers the Mongols in Outer Mongolia by 50 per cent. Like the Moslem peoples in Xinjiang, the Mongols suffered severely at the hands of ethnic Chinese in the Cultural Revolution. But despite its name Inner Mongolia has little autonomy. Prey to Chinese settlement for 200 years, today the Mongols are completely swamped, with ethnic Chinese totalling about 15m. Realistically there is no chance of closer union with Mongolia over the border or even of genuine autonomy, but realism is not always the arbiter in nationalist movements. At least China's most troubled ethnic area, Tibet, is unlikely to be directly affected by these erupting racial tensions, though it has the strongest claim of any to full independence. It has also battled the hardest for it, facing cruel repression from Peking's communists with uprisings and guerrilla war. But despite cultural links to the Mongolians (at one time the Dalai Lama was their spiritual patron) it is geographically isolated. It has little in common with the Moslem world on its northern doorstep. Tibetans may find ways to put pressure on China internationally via the Dalai Lama, but Peking's main internal danger area as fall-out spreads from the effects of Soviet glasnost is likely to be Xinjiang.

Peking to draw dear Japanese credit

THE Bank of China, Peking's foreign trade bank, is to draw \$500m of a \$2bn credit line arranged with a group of 67 Japanese banks in July 1985, a Japanese banker said yesterday. Our Foreign Staff writes. Approval for the Chinese request was given on January 21, and China has 90 days to withdraw the funds. Peking has not previously called on this loan. "To use this credit, China must be critically short of reserves - the interest rate is very high compared with the loans they had negotiated previously," the banker said. The loan will be over 10 years, at a quarter per cent over Libor (London Inter-bank offered rate) in the first six years and 7 1/2 per cent for the last four. Japan has made no new loans to China since the massacre of demonstrators in Peking last June, following the US and other western countries in imposing limited economic sanctions. Medals for Tibet suppression China has given more than 400 medals to police and troops who suppressed democratic demonstrations in Lhasa by Tibetan separatists, according to reports from Peking, Our Foreign Staff reports. Calling the protests "revolts and riots", the Tibet Daily said they formed a serious political struggle aimed at spitting the motherland, opposing the Communist Party and overthrowing the socialist system. The paper reported that 32 "advanced individuals" and 33 "advanced groups" had been commended at a ceremony presided over by Hu Jintao, the region's party chief. Since September 1987 there have been several large demonstrations when troops opened fire on unarmed crowds, the biggest was last March after which martial law was imposed. Kuwait crackdown threatened Crown Prince Sheikh Saad al-Abdullah al-Sabah, Kuwait's Prime Minister, has threatened a crackdown on pro-democracy rallies, AP reports from Kuwait. Sheikh Saad said the rallies threatened to undermine Kuwait's security and sought to achieve goals beyond the restoration of the dissolved parliament. He said his Government had remained patient with protesters calling for the return of the 50-member parliament, which was dissolved in 1986. But some of those who took part in the rallies "turned out to have targets beyond the restoration of the parliamentary life," he said. Sheikh Saad was alluding to at least four rallies called by activists and former MPs in different areas of Kuwait. Help for Tunisian flood victims President Zine El Abidine Ben Ali pledged Dinar 445m (\$244m) for relief work to help the victims of the worst floods to hit southern Tunisia since 1969, writes Francis Ghiles. In a televised speech on Monday night he said he was patting with the victims for the late arrival of help but condemned the violent protests which saw crowds in Sidi Bouzid and Nefta attacking government buildings and setting cars on fire. Such demonstrations appear to have been encouraged by Moslem fundamentalists. The torrential rains, coming after two years of drought when 85 per cent of the country's cereal crop was lost, killed 30 people and destroyed or damaged nearly 200 homes, 11,000 greenhouses and 1,000 kilometres of roads. An estimated 22,000 heads of cattle and sheep were lost. PLO condemns immigration wave Leaders of the Palestinian Liberation Organisation yesterday condemned the planned settlement of Soviet Jews in Israel and pledged to launch a diplomatic initiative against the plan, writes our foreign staff. "Setting 300,000 Soviet Jews in the Arab occupied territories is a virtual declaration of war," a PLO official said. Israel says that only a tiny proportion of all the Soviet immigrants, expected to total between 70,000 and 100,000 this year, end up in the Occupied Territories. It clearly does not count significant numbers going to areas annexed to Jerusalem by Israel but even these do not account for a large proportion of the total. The issue was ignited earlier this month when Mr Yitzhak Shamir, the Israeli Prime Minister, told supporters of his hardline Likud Party that a "big Israel" was needed to absorb the Soviet immigrants.

Refusal to compromise over disputed state Pakistan denies plans to stir up Kashmir

PAKISTAN does not want war with India over a Moslem rebellion in Kashmir but refuses to compromise over the region, Mr Sahabzada Yaqub Khan, Foreign Minister of Pakistan, said yesterday. Reuter reports from Islamabad. He repeated Pakistan's denial of Indian claims that it was responsible for fomenting a rebellion in Indian-controlled Kashmir, a denial which he made strongly during a visit to India last week. "Pakistan is a peace-loving country and does not want conflict or confrontation with any other. We will not take any step which can endanger peace in this region. However, it is our right and duty effectively to reject India's wrong stand and baseless allegations," he said. Pakistan could never bargain away the right of Kashmiris to choose their own future. "Pakistan will not be cowed by any pressure or threat and will continue supporting the Kashmir people's right of self-determination," he said. Pakistan and India have fought three wars since partition and independence in 1947, two of them over Kashmir which is now divided with Pakistan controlling about a third, China a small disputed area and India the rest. Pakistan has been defeated by the superior might of India's army each time. As part of the UN-negotiated ceasefire in 1949 India agreed that the status of Kashmir should be the subject of a referendum but since then has repeatedly refused to hold one. More than 60 people have died in Indian Jammu and Kashmir state in the past week, plunging relations between the two countries to



Bhutto: low point their lowest point since Ms Benazir Bhutto took power in Pakistan in late 1988. Politicians, diplomats and the press have begun discussing the possibility of another war as the level of rhetoric has risen on both sides of the divided mountain region neighbouring China. Mr Indar Gijral, the Indian Foreign Minister, has also said that India does not want a war. But India has also made plain that it would do anything necessary to prevent Kashmir from seceding. India asserts that Kashmir decided to join the Indian union after independence, while Pakistan argues it is still disputed territory which should be allowed to choose through a plebiscite under United Nations auspices. A UN observer force has been deployed along the 870-mile ceasefire line since 1949 but can do little more than watch as the Indian and Pakistani troops trade small-arms fire across the divide almost daily. Observers counted 600 Indian violations last year. The year before there were 240.

Thai dockers strike over privatisation

By Roger Matthews in Bangkok DOCKERS in Thailand paralysed the nation's trade yesterday in protest at government plans to allow private companies to operate a new deep-water port being built on the eastern seaboard. The action by an estimated 4,500 workers belonging to six public sector unions is the latest dispute to hit the government's privatisation plans and hinder the development of the stock market. Government mediators failed to persuade the men to return to work, although efforts continued into the evening as manufacturers warned of serious consequences if the stoppage lasted for more than a few days. The unions affiliated to the Port Authority of Thailand are demanding that the government immediately drops its plan to invite bids later this month from companies wishing to operate the four commercial terminals at Laem Chabang. It is hoped that the first terminal will be completed by the end of this year, helping to ease the serious congestion at Klong Toey Port in Bangkok which handles almost all the country's imports and exports. Ministers have stressed that privatisation is vital if Thailand is to sustain the impressive growth rates of the past decade, but have had only modest success in changing the attitudes of the unions and often the managements of the 60 or so state-run enterprises. Failure by Prime Minister Chatichai Choonchavan to settle the stoppage rapidly would, however, intensify the strains within the governing coalition and pressure is likely to mount for a compromise.

End of an institution in W Beirut

The hotel that hosted the press is no more, writes Lara Marlowe

ANOTHER Lebanese institution disappeared this month. It was not a ministry or an elder statesman, but the last reminder of West Beirut's days as the press centre of the Middle East. On Friday morning last week, the former accountant of the wrecked and pillaged Commodore Hotel wrote a dozen cheques for about £12m (about \$21.2m) each, the final lump sum payment to all but three of the hotel's remaining employees. When the war is over, its Kuwaiti owners hope to turn the Commodore into a shopping centre. From the start of the 1975 civil war, the Commodore was TWA hijacking, the Commodore housed up to 180 foreign journalists at a time. "We only had 150 rooms," says Mr Fouad Saleh, who was the hotel's manager. "We often put two in one room. Some of them stayed for a year." When his hotel guests were kidnapped, Mr Saleh used to make the rounds of the militia until he found them. Then pro-Liban fundamentalists began taking journalists hostage and even Western governments could not retrieve them. The journalists stopped coming. The Casbah underground nightclub and the first two floors of the Commodore now house non-paying guests - Syrian soldiers who man the check-point in Baalbek Street sleep in the looted rooms. They have turned the hotel into an army billet with portraits of Syrian President Hafez al-Assad on the sandbags outside and shoes at the bottom of each bedroom. Walls are covered with magazine photos of pop stars. Shredded blue and green curtains blow from the Commodore's broken windows. On the abandoned upper floors, the

wind bangs doors shut. "Do not disturb" signs still hang from the doorknobs. Cats and rats carry on their own war in the dank boiler rooms. The smell of unwashed latrines pervades the lobby where a pile of rotten potatoes sits on a table. Tarnished brass plaque recording the gratitude of Cairo journalists to the hotel's management in 1982. "It makes me sad every time I walk in here," Mr Saleh says. "The journalists at the Commodore were like kids at summer camp, always joking. They drank a lot, they used to push each other in the pool with their clothes on. Sometimes there were 30 or 40 people in the pool at one time. The next day I'd have to clean it and there would be passports, watches, Amex cards and shoes at the bottom." Journalists who remember the hotel's "golden age" say the rooms were often dirty, the toilets never flushed properly and it was overpriced. But it offered two things that no other hotel in Beirut then provided: protection and reliable communications. Protection had a high price. "We made a profit," Mr Saleh says. "But it all went to the Palestinians, then to Amal (the Shia Moslem militia) and the PSP (the Sunni militia). We used to pay \$50,000 a month in protection money. And we had to feed all the militiamen. It was expensive but we had no choice." All guests - including the Israelis who invaded in 1982 - were required to check their guns in at the reception. "Sometimes there were 20 or 30 guns stacked up behind the counter, Kalashnikovs, Uzis, M-16s. Many times there were shootings in the lobby, but no one ever got killed here," Mr Saleh says. The Commodore has been in its death agony since February 1987, the day Amal and PSP militias pillaged the hotel. Commodore furniture and linen still show up around the city, but no one ever requested payment from Nabih Berri or Walid Jumblatt, the militia

leaders. "The militias take, they don't give," a former hotel employee says. The war has chosen its victims arbitrarily. The Coral Beach and Summerland hotels are thriving and a handful of others struggle on. Some of the Commodore staff have adapted, but others feel their lives have been ruined. Mr Eddie Arzoumanian, who ran the small book and newspaper shop in the Commodore lobby, stayed for nearly three years after the hotel was shut down. "Mr Eddie," as everyone calls him, abandoned his shop two weeks ago. Now the tall, thick-set 54-year-old Armenian works as a barman. He never smiles and speaks slowly, as if each word costs him great effort. "I had a nervous breakdown this year from the shelling, from being alone," Mr Eddie says. "It was an accumulation of the past 15 years. I thought about leaving but unless you have money it is very difficult. So I am stuck here. I don't know what the future holds." After the Valentine's Day plunder by the militias two years ago, a British journalist offered \$150 for the return of his pet parrot, which lived in a cage in the Commodore lobby. The parrot used to frighten newcomers with its imitation of exploding artillery shells. The offer angered some of the Commodore employees. "Nobody asked about the families of 65 staff who were fired," one of them says. "At least a dozen people showed up with parrots," says Mr Saleh. "Each time I would see 'Tony accrui' (Tony your bastard) and sing the opening bars of Beethoven's 5th symphony. Our parrot would have whistled the rest of the theme. None of the parrots they brought was the right one."

Kuwait crackdown threatened

Crown Prince Sheikh Saad al-Abdullah al-Sabah, Kuwait's Prime Minister, has threatened a crackdown on pro-democracy rallies, AP reports from Kuwait. Sheikh Saad said the rallies threatened to undermine Kuwait's security and sought to achieve goals beyond the restoration of the dissolved parliament. He said his Government had remained patient with protesters calling for the return of the 50-member parliament, which was dissolved in 1986. But some of those who took part in the rallies "turned out to have targets beyond the restoration of the parliamentary life," he said. Sheikh Saad was alluding to at least four rallies called by activists and former MPs in different areas of Kuwait.

Help for Tunisian flood victims

President Zine El Abidine Ben Ali pledged Dinar 445m (\$244m) for relief work to help the victims of the worst floods to hit southern Tunisia since 1969, writes Francis Ghiles. In a televised speech on Monday night he said he was patting with the victims for the late arrival of help but condemned the violent protests which saw crowds in Sidi Bouzid and Nefta attacking government buildings and setting cars on fire. Such demonstrations appear to have been encouraged by Moslem fundamentalists. The torrential rains, coming after two years of drought when 85 per cent of the country's cereal crop was lost, killed 30 people and destroyed or damaged nearly 200 homes, 11,000 greenhouses and 1,000 kilometres of roads. An estimated 22,000 heads of cattle and sheep were lost.

PLO condemns immigration wave

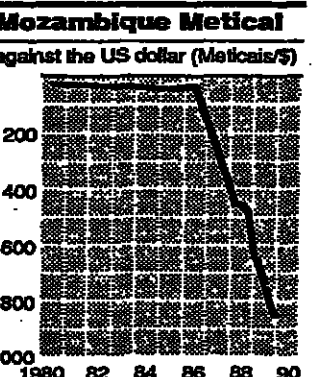
Leaders of the Palestinian Liberation Organisation yesterday condemned the planned settlement of Soviet Jews in Israel and pledged to launch a diplomatic initiative against the plan, writes our foreign staff. "Setting 300,000 Soviet Jews in the Arab occupied territories is a virtual declaration of war," a PLO official said. Israel says that only a tiny proportion of all the Soviet immigrants, expected to total between 70,000 and 100,000 this year, end up in the Occupied Territories. It clearly does not count significant numbers going to areas annexed to Jerusalem by Israel but even these do not account for a large proportion of the total. The issue was ignited earlier this month when Mr Yitzhak Shamir, the Israeli Prime Minister, told supporters of his hardline Likud Party that a "big Israel" was needed to absorb the Soviet immigrants.

Aid switch to E Europe threatens Mozambique's recovery

More foreign funds and less war are the only way reforms have any chance of paying off, writes an FT correspondent

THOSE advising East European governments on the transition from a centrally-planned economy to a market-oriented one might usefully ponder developments in Mozambique which has three years of not altogether happy experience under its belt. In 1987, when the economy was near the end of its tether, the Government, advised by the International Monetary Fund and World Bank, introduced sweeping reforms designed to revive a market economy that had been all but abandoned when the Portuguese fled their former colony in 1975. In the six years to 1986 gross domestic product fell 40 per cent, largely due to the escalating civil war between the Frelimo Government and the Mozambique National Resistance (Renamo) rebels, but also as 11 years of Marxist economic policies took their toll. Exports fell by three-quarters,

the money supply was out of control, the currency was overvalued and unconvertible, and debt payment arrears approached \$1bn. The reformers set out to rebuild the market economy by replacing administrative controls with price incentives, restructuring agriculture, industry, banking and public enterprises and reviving the use of fiscal and monetary policy to curb inflation and stabilise the balance of payments. Interest rates were raised, price controls reduced and government spending cut - though this has been difficult to achieve in a country where defence spending absorbs 36 per cent of the budget and 10 per cent of GDP. The national debt was massively devalued from 39 to 830 today. Private firms were allowed to trade in sectors previously reserved for state corporations. The programme has been a



partial success, with the economy growing at 4.5 per cent a year since 1987 mainly due to increased food production and improved capacity utilisation in manufacturing. Even so, per capita incomes, estimated at \$150, are among the lowest in the world; infant mortality rates and life expectancy rank among the worst in

Africa: industrial output is running at only half its 1980 levels; 90 per cent of food grains are imported, while exports finance a mere 15 per cent of total imports. Even if this growth performance can be maintained, it will take a generation to regain 1980 levels. Despite a reduced public sector deficit and tighter control of the money supply, the reforms have been enormously inflationary, with prices surging 160 per cent in 1987 and another 50 per cent in 1988. Last year inflation slowed to 39 per cent, but in so highly import-dependent an economy, the further currency devaluation, which is inevitable, must mean continued rapid inflation. The social and political repercussions of this have been vividly illustrated in the recent rash of strikes in Maputo for which the Renamo rebel leader, Mr Afonso Dhlakama, has claimed responsibility.

A disappointing, if hardly surprising, aspect of the programme has been the failure of exports to respond. They fell 10 per cent last year to \$93m, compared with \$220m in 1982 and a low point of \$75m in the mid-1980s. The World Bank expects exports to more than double during the next four years, reaching \$210m by 1994, but this looks to be excessively optimistic in the light both of recent performance and the narrow export base, with prawns and cashew nuts accounting for two-thirds of the total. In any event, the export contribution to the balance of payments is no more than marginal. Mozambique earns more from invisibles - worker remittances and rail and port services - though the former are on a plateau and likely to remain so. At the same time, the debt-service burden is 275 per cent of exports of both goods and services and nearly one-fifth of

GDP. The current account payments deficit, running at more than \$1bn a year can be funded only by the combination of aid inflows and debt relief. Because Mozambique's situation is unique, comparisons with other communist states seeking to restructure their economies can be taken only so far. The binding constraint on economic recovery, not shared by Eastern European countries, is the scarcity of skills throughout the economy. No East European country has so undeveloped an infrastructure, such low living standards and such heavy dependence on agriculture. Options are further circumscribed since with such grinding poverty there is no scope for reducing consumption to boost savings and release resources for investment or exports. Furthermore, Mozambique is not going to attract inward investment on the scale that Eastern Europe can realistically expect.

Above all, there is the war. Until that is settled, recovery will remain a mirage. As it is, the fragile upswing is almost totally dependent on aid inflows which, including debt relief, are projected by the World Bank at \$1.4bn a year over the next four years. Ironically, it is probable that Mozambique will be one of many African countries to suffer as aid funds are diverted to Europe, which makes progress towards ending the war more urgent than ever. But even if these aid levels could be attained, they are more of a "working capital" character than developmental. They are keeping the economy afloat, but self-sustaining growth will remain elusive for as long as the civil war continues. Mr Dhlakama can resolve their differences. This consideration ought to concentrate the negotiators' minds wonderfully when face-to-face talks start, perhaps next month.

UK NEWS

Insurers suffer as claims rise after year of disasters

By Patrick Cockburn

UK INSURANCE companies, members of the Institute of London Underwriters, paid out £500m more in claims than they received in premiums in 1989 because of an unprecedented series of serious disasters coinciding with low insurance rates.

Gross claims totalled £2.1bn against £1.6bn in premiums income, the annual ILU meeting was told yesterday.

Mr John Parton, institute chairman, said 1989 had been a year of catastrophes.

Hurricane Hugo was expected to cost insurers \$4bn, the San Francisco earthquake almost \$1bn, the Exxon Valdez spillage over \$500m and the Phillips Petroleum refinery in Texas more than more than \$1bn.

These losses came after the \$1.5bn cost of the loss of the Piper Alpha platform in the North Sea in 1988.

The Institute, which groups 118 companies providing half of all the marine, energy and aviation insurance placed in London, stressed that the figures exaggerated final losses because they did not take into account either the reinsurance

protection taken out by insurers or multiple counting of some claims.

This was the first time the institute has published totals for premiums and claims.

The institute was also worried that both merchant vessels and jet aircraft were becoming old and more likely to suffer loss.

Mr Parton said that at the time of Piper Alpha he had expected premium rates to rise, but overcapacity in the market had ensured that underwriters continued to be squeezed between high claims and low premiums.

In aviation insurance he said the rate for aircraft hulls was 10 per cent of the 1988 level and liability rates little more than 20 per cent.

Despite last year's catastrophes the end of year renewal season has seen no end to the depression in premium rates.

Mr Trevor Scutts, past chairman of the Joint Hull Committee, said that the marine market was going to get worse before it got better though premium rates for oil rigs had strengthened.

Clothing company calls in the receiver

By Alice Rawsthorn

THE slump in the clothing industry claimed another casualty yesterday when Paisley Flyer, which employs 2,400 people mainly in the north-east England and the east Midlands, called in the receiver.

Paisley, one of the main manufacturers of knitwear and women's wear for the Marks and Spencer retail group, is the second large UK clothing company to have gone under this week. The news of its receivership came only a day after that of the Response Group, which employs 4,000 people.

The condition of the clothing industry has become increasingly precarious in recent months. Many companies have been struggling against weak demand and poor profitability for over a year because of sluggish consumer spending and intense competition from imports.

Paisley and Response both suffered from the downturn in the industry, but are trading profitably, albeit at a low level. Their chief problem was that they could no longer cope with their high borrowings.

The receiver, Arthur Anderson, hopes to find buyers for the Paisley companies.



Predicting success: Roger Poole hails people power

The ambulance dispute

Protesters attack Clarke's stand

By Ralph Atkins and John Gapper

THOUSANDS of protesters yesterday attended mass rallies at cities throughout Britain, in support of higher pay for ambulance crews. Unions estimated that more than a million of people took part in the protests.

Speakers at the rallies criticised the stand of Mr Kenneth Clarke, Health Secretary, who dismissed the rallies as "pointless" and reiterated the Government's call for ambulance unions to enter negotiations on local flexibility deals allowing

higher pay in return for more productivity. He said "publicity stunts" were irrelevant.

The protests, led in London by Mr Roger Poole, the ambulance unions' chief negotiator, attracted thousands of workers at rallies around Britain.

Mr Poole said the demonstrations had been "a massive show of people power." He said that the day of action had shown the Government that it had already lost the dispute.

Organisers said 20,000 people in Liverpool had attended a

rally, while 10,000 people joined a rally in Birmingham, and 5,000 joined rallies in Glasgow, Coventry and Leeds.

Groups of workers said to have stopped work included 3,000 civil servants at Companies House in Cardiff, 4,000 workers at two offshore yards in Teesside and miners at five pits in the Durham coalfield.

The Confederation of British Industry said the stoppage was "a limited gesture which does nothing to advance the search for a resolution of the dispute."

CBI warns of recession and rise in unemployment

By Simon Holberton, Economics Staff

THE CONFEDERATION of British Industry, the UK employers organisation, yesterday warned that Britain was on the edge of a recession and that unemployment would rise.

The CBI's warning came with the publication of its quarterly industrial trends survey which showed that business confidence was at its lowest level since October 1980.

The survey further indicated that over the past four months that there had been no growth in manufacturing output. Businessmen were pessimistic about future orders and plan to cut investment spending this year.

The only encouraging aspect of the survey was the sharp rise in optimism about exports. If the optimism is reflected in actual sales this would

mean that British companies have responded to the subdued growth outlook for the home market by seeking orders in foreign markets.

The CBI said companies had responded to the current strained economic conditions by cutting employment and would continue to do so.

Company profits, however, were being squeezed. Growth in the average unit cost of manufacturing was expected to rise in the coming four months at its highest rates since January 1982. A seasonal pick up in factory gate prices was also expected.

Mr David Wigglesworth, chairman of the Confederation's economic situation committee, said the economy was "poised on the edge of a recession." He added: "We just do not know whether it

is a slowdown or a recession."

The survey showed that manufacturing companies were planning to cut investment this year. In response to this the CBI was forecasting that growth in manufacturing investment in the first half of this year would be 4 per cent down on the same period in 1989.

Mr Wigglesworth said this was one of the most worrying of the survey's findings and renewed the CBI's call for John Major, the Chancellor, to raise investment allowances to 40 per cent from 25 per cent in his March Budget. This would encourage investment and would not be inflationary, he said.

The Treasury said the low level of optimism was consistent with the economy slowing down.

In the City economists expressed dis-

appointment with the survey's findings on costs and prices and cast doubt over the interpretation of the survey's questions about exports.

Mr Stephen Hannah, economist at NatWest Capital Markets, said the large proportion of companies planning to increase prices in the New Year was disappointing. "It makes us a little bit edgy about inflation," he said.

Mr Bill Martin, economist at UBS Phillips & Drew, said the survey showed there had been some pain experienced but said there was "considerably more to come" when cash flow pressures forced companies to cut stocks.

He added there was little correlation between expectations of exports and exports themselves.

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Fujitsu set to raise UK investment

By Alan Cane

INVESTMENT BY Fujitsu, the Japanese electronics group, in its microchip manufacturing plant in north-east England at Newton Aycliffe, County Durham, is likely to top the £400m originally anticipated, and the plant is expected to produce higher technology chips than it had planned for.

Chronic worldwide overproduction of semiconductor memory chips, which is forcing prices down to levels where significant losses for many semiconductor manufacturers seem inevitable, has prompted Fujitsu to scale down plans to build what would be currently the most technically advanced chips available in favour of a product even more advanced.

It is understood that work on the plant - which had been intended to produce one megabit and four megabit 2-Ram (read and write memory chips) - has been delayed for about six months while the company considered its options.

Mr Alan Roberts, chief executive of Sedgfield District Council, in whose area the plant will be sited, said yesterday Fujitsu was going ahead with its investment although the project had changed.

He said the transfer of the land to Fujitsu had taken place and the company had submitted planning applications, which were now going through the approvals process.

While the exact type of chip to be manufactured remains a commercial secret, analysts thought the likely outcome was a combination of 16 megabit D-Rams - the next generation of memory technology not expected to be in volume production until the mid-1990s - and application-specific integrated circuits (ASICs), custom chips produced in small volumes to fit a particular customer's needs.

The announcement in April last year that Fujitsu had chosen County Durham as the site for its first fully integrated microchip manufacturing facility in the European Community was seen at the time as a considerable coup for the UK.

The plant, which attracted £30m in regional selective assistance, will eventually create some 1,500 jobs.

IN BRIEF Telephone costs ahead of EC rivals

Residential telephone customers in the UK pay more for phone calls than their counterparts in the other three leading Western European economies, according to figures published yesterday by the Office of Telecommunications, the industry watchdog.

Britain's business telephone users also fare worse than those in France and West Germany, but rates are lower than those in Italy, Otel said.

Otel calculates the cost of a representative basket of services in each country and compares it with a benchmark of 100 for the UK. The residential prices are: France 76, Italy 97, and West Germany 98. The business figures are: France 88, West Germany 96 and Italy 121.

N Ireland split
Significant differences between Northern Ireland's Unionist parties about their campaign against the Anglo-Irish agreement have emerged as British and Irish ministers prepared to meet in London today.

An Ulster opinion poll showed 67 per cent of Ulster Unionists - regarded as the more moderate unionists - favour ending the boycott on dealings with Northern Ireland Government ministers. That compared with only 36 per cent of the Democratic Unionists, led by the Rev Ian Paisley.

Rapid rise in M4
The final money supply figures for 1989, released yesterday by the Bank of England, confirm the broad money measure M4 rose rapidly last year.

The year-on-year increase in M4, which includes bank and building society lending, was 18.1 per cent. The seasonally-adjusted figure for December showed a sharp rise in bank lending to £10.5bn in December, from £4.5bn in November.

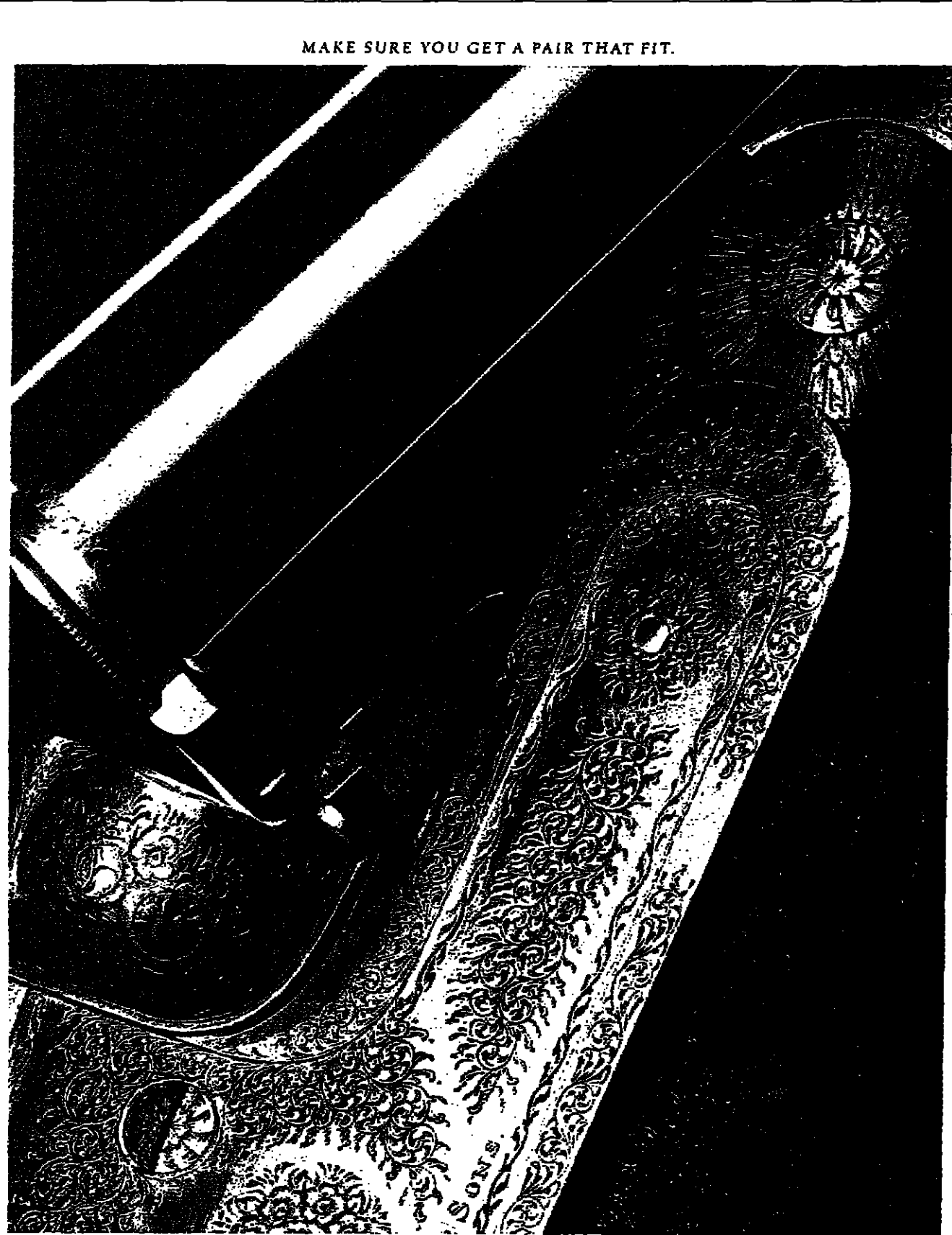
Longer banking
Barclays Bank is extending the opening hours of nearly 2,300 of its branches from 3.30pm to 4.30 with full counter service. Mr Geoff Miller, director of UK banking, said the move was intended to improve service and was in response to growing customer demand.

Search for ship
A search was begun yesterday for the crew of the Flag Thessano, a Greek-registered ship feared to have sunk after the bodies of two men were washed ashore on the Sussex coast.

Storm aid to Britain
British victims of last week's storms are to receive £585,000 in emergency aid from the Brussels Commission in the largest national award the Commission has drawn from its disaster budget.

Housing limit raised
The Government has increased the cash limit of the Housing Corporation, which funds and supervises housing associations, by £120m in this financial year with a corresponding reduction in next year's budget.

US lecturer detained
An American lecturer, aged 40, was being questioned by Irish police yesterday about the discovery of an incendiary device in his luggage at Dublin airport. The Californian, travelling with his wife and child, was stopped when a police scanner detected the device.



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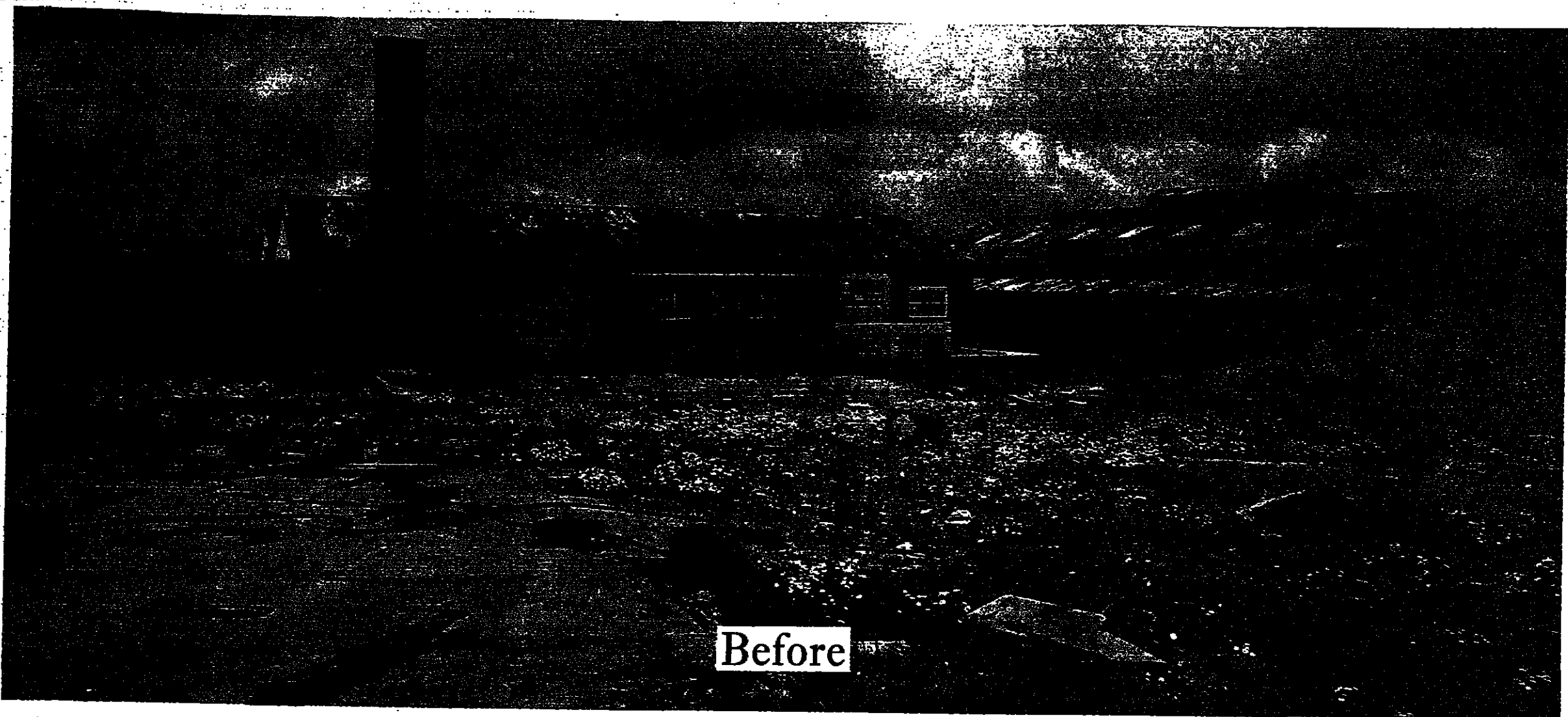
OBITUARY

Sir Martin Wilkinson

SIR Martin Wilkinson, who did much to shape London's Stock Exchange before the upheavals of Big Bang in 1986, died last week at the age of 76.

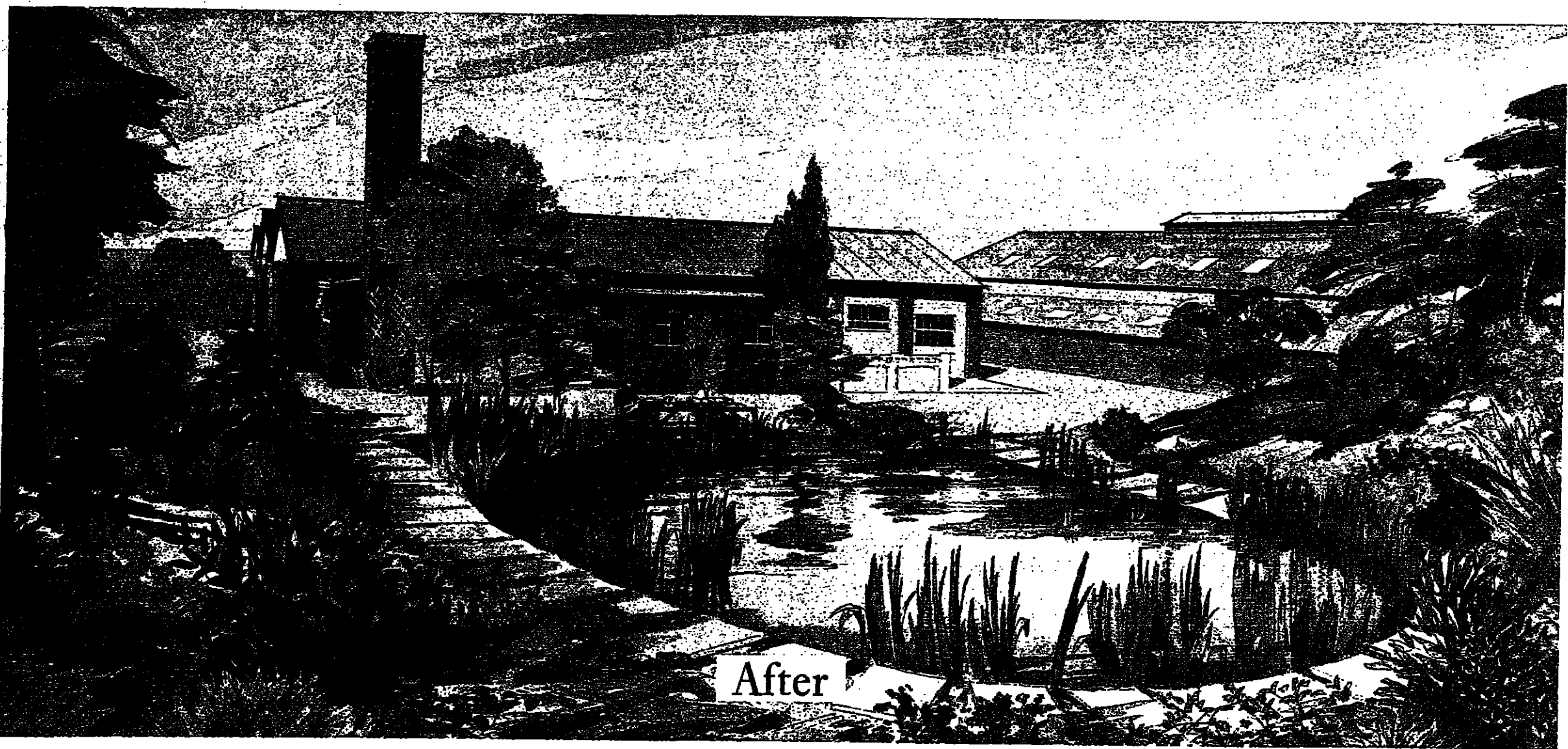
Sir Martin was the exchange's chairman from 1965-73, when the foundation for its activities over the next 13 years were laid. He oversaw the merger of the various stock exchanges in the UK and Republic of Ireland, which was completed in 1973 after 10 years of effort, making him the first chairman of the unified market. He was also chairman when the exchange moved to new premises, opened by the Queen Mother in 1972.

His term of office also saw the demise of several anachronistic practices. Women were admitted to membership of the exchange for the first time, and the requirement for members to be British was dropped.



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FT 2

YOU CAN BE SURE OF SHELL

Father must pay tax on daughter's school fees

GLYNN v
INLAND REVENUE
COMMISSIONER
Privy Council (Lord Keith of
Kinkel, Lord Templeman, Lord
Griffiths, Lord Ackner and
Lord Lowry), January 22 1990

SCHOOL FEES paid by a company under its employee's contract of employment, are a "perquisite" derived from his employment, and are therefore assessable to salaries tax under Hong Kong law.

The Privy Council so held when dismissing an appeal by Mr David Hardy Glynn from a decision of the Hong Kong Court of Appeal that he was liable to pay salaries tax on school fees paid by his employer, Intergroup Associates Ltd.

LORD TEMPLEMAN said that by an agreement dated April 1 1982 Mr Glynn agreed to work for Intergroup as an executive director for HK\$5,000 a month and on terms that the company would pay his children's education costs.

It was agreed that primary liability for payment of his daughter's fees to Roedean School should be borne by the company. Mr Glynn became liable to pay only if the company defaulted.

The Board of Review held that the school fees constituted income from Mr Glynn's employment assessable to Hong Kong salaries tax.

By section 8(1) of the Inland Revenue Ordinance as amended, salaries tax was charged on Hong Kong income from any office or employment. Section 9 provided that income included "(a) any wages, salary . . . whether derived from the employer or others . . ."

The Commissioner contended that each sum paid by the company to Roedean School was a "perquisite" liable to salaries tax. Mr Glynn contended that a "perquisite" must be a sum of money paid to an employee if it was to be taxed.

Mr Glynn pointed to Section 11B of the Ordinance which provided that assessable income was the aggregate amount of income "accruing" to the employee from all sources. Section 11D(b) provided that income accrued to a person when he "becomes entitled to claim payment thereof."

Mr Glynn, it was said, never became entitled to claim payment of the school fees paid by the company to Roedean.

Alternatively, it was submitted, Mr Glynn was not taxable in respect of the school fees because income only included the value of a "perquisite." Since the right to require payment of school fees could not be sold, that right was a "perquisite" which had no calculable value in money terms and therefore could not be taxed.

The principles of the Inland

Revenue Ordinance were based on the provisions of UK Income Tax Acts with modification to meet the requirements of the Hong Kong economy and establishment. Taxation of a "perquisite" involved the same problems in Hong Kong as in the UK. Consequently UK legislation and decisions would provide some assistance in construing the Ordinance.

In *Tennant v Smith* [1892] AC 150 the Revenue sought to tax an employee on the value of free accommodation. The House of Lords held tax was not payable. In *Heaton v Bell* [1970] AC 728 Lord Diplock summarised the effect of the decision. He said that *Tennant v Smith* "placed a judicial gloss on the word 'perquisite' by confining it to actual money payments and to benefits in kind . . ."

Although a "perquisite" must mean the payment of money, common sense required that a "perquisite" must also include money which could be obtained from property which was capable of being converted into money.

In *Hartland v Diggins* [1926] AC 239 a shipping company voluntarily paid tax on employees' salaries. It was held that that payment was part of the employee's profits. Viscount Cave, Lord Chancellor, said "the appellant did not receive cash in his hands, but he received money's worth . . . that being

so . . . the payment was in fact part of his profits . . . properly assessed to tax."

The result of the authorities was that a "perquisite" included money paid to the taxpayer and money expended in discharge of a debt of the taxpayer.

The amount which the employer agreed to pay might fluctuate. If the annual school fees were increased the benefit to Mr Glynn would increase correspondingly, but the amount of the payment would be ascertainable and taxable.

If the burden became too onerous for the company because of the number and expense of Mr Glynn's family, no doubt the company would seek revision of the contract or terminate it.

An employer might provide some advantages for an employee which did not involve expenditure of money for the employee's benefit, or which involved expenditure which could not be attributed wholly or proportionately to one employee.

For example, if an employer contracted to provide a nursery school for employees' children and to allow each employee to use its facilities, no identifiable sum was expended for the benefit of any particular employee.

Money might also be expended indirectly for the benefit of an employee without being taxable. For example, if a

contract of service did not provide for medical expenses the employer might voluntarily pay the expenses of transporting and treating an employee's child.

For present purposes it sufficed to say that an identifiable sum of money required to be expended by an employer, pursuant to a contract of service for the benefit of its employee, was money paid at the request of the employee and was either part of his salary or was a monetary "perquisite" taxable as such according to UK law and authorities.

Salaries and perquisites must have the same meaning in Hong Kong law, which was based on UK law, provided that Hong Kong legislation did not attach different meanings to those expressions.

There was nothing in section 9 to suggest that "salary" and "perquisites" did not include sums contracted to be paid by the employer for the benefit of the employee.

Mr Finson for Mr Glynn submitted that section 11D(b) showed that income was only taxable if payment was to be made to the taxpayer.

But section 11D provided that income accrued to a person when he became "entitled to claim payment thereof." Mr Glynn was at all times entitled to claim payment of school fees by the company pursuant to his contract of service. If Hong Kong legislation intended that only sums paid in cash to a

taxpayer should be taxable the Ordinance would require different language to achieve such an absurd result.

In *Armstrong* [1937] AC 885, 896 Lord Maugham said it was well-settled that in interpreting a dominion or colonial taxing statute containing no reference to its origin or history, it was not permissible to consider the evolution or history of any British statute from which terms or sections might have been taken, "or to rely on decisions as to the true interpretation in the courts of Great Britain of those terms or sections."

That statement did not however, prevent application of the logical and sensible principle that expressions employed in British legislation and authorities on the meaning of such expressions were of assistance in construing identical expressions in Hong Kong legislation. Hong Kong legislation might of course, provide to the contrary, but in the present case perquisites not expressly exempted from salaries tax under the Ordinance were no different from perquisites not exempted from tax under the Income Tax Act. The appeal was dismissed.

For Mr Glynn: *Barry Finson QC* (Charles Russell Williams & James).
For the Revenue: *Andrew Park QC* and *Bernard Whaley* (MacFarlanes).

Rachel Davies
Barrister



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Commercial Aviation in the Asia-Pacific Region to the End of the Century and Beyond

The massive growth expected in the entire air transport infrastructure of the Asia-Pacific region and the challenges and problems it will generate, will be the subject of the Financial Times Conference to be held in Singapore on 12 & 13 February 1990, just before the Asian Aerospace '90 Exhibition.

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Britain reduces spending on EC agricultural policy

By Bridget Bloom

BRITAIN has cut the amount it spends on the European Community's common agricultural policy (CAP) over the next three years and expects to continue to decrease in real terms for the next three years, according to the Government's policy document on public expenditure released yesterday.

The Ministry of Agriculture, Fisheries and Food will also spend less in real terms on so-called structural measures which include environmentally friendly farming schemes and control of pollution by farmers.

Total spending on CAP-supported commodities declined from £1.89bn in 1987-8 to an estimated £988m in the current year.

Savings of some £150m for 1989-91 and £180m in 1991-2 are projected, giving total spending of £1.28bn and £1.47bn on the CAP in those years.

The principal reason for the saving, according to MAFF, is that the reforms of the CAP, introduced in 1988, are beginning to bite, with a 2.8 per cent real reduction in average support prices across the European Community.

Lower cereal harvests both

in the EC and in north America have also helped to cut spending.

Spending on the so-called structural measures, which range from capital grants for farm improvement to environmental and tree-planting schemes, are to increase in cash terms from £217m in the current year to £228m in 1992-3.

This represents, however, a decrease in real terms from £192m to £183m. The main reason appears to be that the Government's decision, announced a year ago, to shift the emphasis from capital grants which raise production to those which control pollution, can now be seen as matching a decline in capital grants.

However, one set of grants which are set to increase substantially are those for land taken out of production. In 1990-91 these set-aside schemes, applied to about 110,000 hectares or 2.3 per cent of the eligible arable area in the UK, will cost £22m, rising to £33m in 1991-2 and £44m in the following year. The Government claims this cost is likely "to be more than outweighed by a decline in capital grants."

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Rover deal with unions at Cowley

By Michael Smith, Labour Correspondent

ROVER GROUP, the UK vehicles manufacturer, has agreed a deal with unions at its Cowley plant on the potential use of binding arbitration as a means of solving locally-based industrial relations disputes.

Union leaders were stressing last night that the agreement does not rule out the possibility of strikes. It does not apply to pay issues, which are determined nationally, and arbitration is only brought into play if both sides agree to it.

None the less the agreement adopts elements of the pendulum arbitration method of resolving disputes. If the two sides do agree to arbitration they would submit their final positions in a dispute to an independent panel, which would then choose one or the other.

Rover is the second UK vehicles company in two months to agree a deal with unions which is aimed at avoiding strikes.

In December, Vauxhall - a subsidiary of General Motors - negotiated a continuity of supply agreement with its Ellesmere Port, Merseyside, workforce. Like the Rover deal, this introduced the possibility of arbitration, if both sides were willing.

World Student Games reveal funding gap

By Ian Hamilton Fazel, Northern Correspondent

UNIVERSIAD GB, the company set up to run the World Student Games in Sheffield, northern England, next year has debts of £2.5m and has still to raise the bulk of the £27m it said yesterday would be the new cost of running the event.

It is, however, still solvent and is relying on a local drive for sponsors to bridge the gap until large international sponsorship can be secured.

Organisers are still confident of achieving this in spite of the further disclosure yesterday that neither the BBC nor ITV networks want to run the television coverage.

TV coverage in prime time is essential to achieving a cascade of sponsorship for the games, the biggest outside the Olympics, which are scheduled to see teams from 120 countries competing in 11 sports.

Organisers yesterday confirmed building costs of stadium and facilities have overshoot to £140m from £111m - the figure still being quoted by the games' organisers only last September.

This money was borrowed on the open market by a sister company when interest rates were still at 10 per cent, but will be repayable by Sheffield's poll tax payers over the next 22 years, adding at least £30 year to poll tax bills.

Yesterday's new figures show that Universiade GB spent £3.9m in the 27 months to the end of last year, against revenue from sponsors of only £700,000.

They come from an audit and review by two firms of accountants, Peat Marwick McLintock and Fannell Kerr

Foster, which was presented to Universiade's board of council and business leaders on Monday.

Money spent includes a previously unknown final figure of £350,000 to win the bid. Of the rest, £1m has gone on marketing, £750,000 on salaries, £200,000 on interest charges and the rest on general running costs.

The company reached its city council-guaranteed overdraft limit of £1m just before Christmas.

This precipitated a cash crisis when the board discovered that £3m promised in monthly instalments by the Sports Council was subject to Treasury-imposed conditions that stopped its use to guarantee further borrowing.

Universiade sacked Mr Peter Burns, its chief executive in an

acrimonious row, while Mr Danny Simpson, the finance director, resigned two weeks ago.

Mr Norman Adsetts, chairman of Sheffield Insulations, who was described yesterday as Universiade's new "acting chief executive," said that Mr Burns' departure was the result of the "irretrievable breakdown of communications with the rest of the board."

Mr Burns remains in dispute over unpaid contract fees and said yesterday he would be pressing for £50,000 owed him.

He said the audit and review showed that he could not have been in breach of contract himself - the reason for which he was told he was being sacked without notice or compensation.

Mr Adsetts also revealed that the company's fifth busi-

ness plan had to take account of two large previously unbudgeted items.

About £2m will have to be spent temporarily refurbishing a disused block of council flats as part of the village for the games' 6,000 competitors and officials - the Government had been expected to pay for this but has refused - while up to another £2m will be needed to provide for television coverage.

The latter stems from failure to sell the games to either the BBC or ITV companies as host broadcasters.

Universiade GB will have to arrange its own television coverage using independent contractors. A senior manager is already in Auckland, half way through a trip to Japan and the US, discussing the sale of pictures to television companies.

Campaign urges businesses to prepare for single market

By Anthony McDermott

THE DEPARTMENT OF Trade and Industry (DTI) launches a £2m advertising campaign tomorrow aimed at pushing half a million small and medium-sized businesses in Britain into making overdue preparations to meet European competition when the EC becomes a single market in 1992.

This forms the second phase of the DTI's single market campaign "Europe Open for Business", which began in

March 1988. It has so far cost £13.6m, of which £2m was spent on television advertising.

Yesterday, Lord Trefgarne, the UK Trade Minister, said there was ample evidence that, as a result of the initial campaign, virtually every business in Britain was aware of the single market. "Some 50 per cent are also taking action - but I am concerned about the many firms, particularly the smaller

ones, who still have to act, saying that the single market is of little or no relevance," he said.

While the DTI is leading this campaign to draw attention to its services, which include pamphlets, brochures, videos and a hot line, it will depend heavily on chambers of commerce, trade associations and professional advisers in banking, law and accountancy to provide companies with both

information and advice.

Earlier, 600 businesses and organisations were contacted by the DTI. From those employing fewer than 500 people, only 30 per cent had responded, prompting the DTI into this second phase.

The new campaign is to last until the summer, when, on the basis of returns, a decision on whether to continue the campaign will be taken.

King criticises US civil aviation policy

By Paul Abrahams

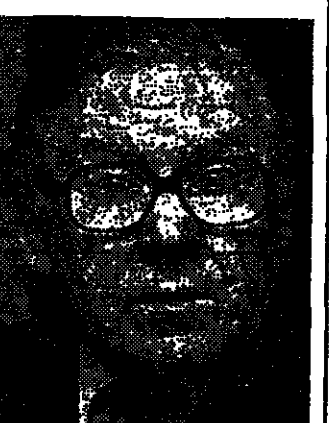
LORD King, chairman of British Airways, the UK flag carrier, yesterday criticised aspects of US civil aviation policy which prevents non-US airlines operating American domestic routes or owning US carriers.

During a speech to the American Chamber of Commerce in London he repeated complaints he made last November about the restrictions on free trade which the US imposes on international airlines.

Referring to the virtues of free competition he said there could be quite a gap in Washington DC between what is preached and what is practised. The distinction between foreign and domestic carriers was in many areas an anachronism, said Lord King.

He pointed out that 86 per cent of BA's shares are owned by non-UK nationals and that 26 per cent are in US hands. "We need to bury bilateralism and usher in a new era of free trade in aviation."

When BA sought last year to participate in the buy-out of United Airlines, the US carrier owned by UAL, it was advised that the US Secretary of State



Lord King: call for open skies

for Transportation was unlikely to permit an airline that is one quarter American to own more than 15 per cent of a US airline.

He warned that until the national rule is relaxed, BA would object to a US company buying a British airline or any carrier in the European Community.

By January, 1993, airlines in the EC should be free to carry cargo and passengers between one city and another anywhere in the Community.

Heron expands US property portfolio

By Paul Cheswright, Property Correspondent

HERON Financial Corporation, which handles the US property investments of Heron International, the UK-based multinational, has joined up with institutional investors to buy three portfolios of residential property in Texas and New Mexico worth about \$100m (£59.6m).

Heron International is a conglomerate with interests stretching from filling stations through motor distribution to financial services and property. One of the largest private groups in Europe, it is controlled by Mr Gerald Bonson.

The latest purchase has been timed to take advantage of what is expected to be a rise in property markets which, in recent years, have seen values collapse. The properties are 17 buildings containing 4,100 high-grade apartments in Austin, Dallas, Houston, San Antonio and Santa Fe.

Mr Alan Goldman, a director of Heron International, said the properties showed yields which covered interest charges. It would cost twice as much to construct them now as it did to buy them, he added.

Heron is seeking to expand its US property portfolio, currently valued at about \$500m, and is concentrating its search on apartment buildings. In the US, it owns 31 apartment buildings, two hotels and over 3m square feet of office and retail space.

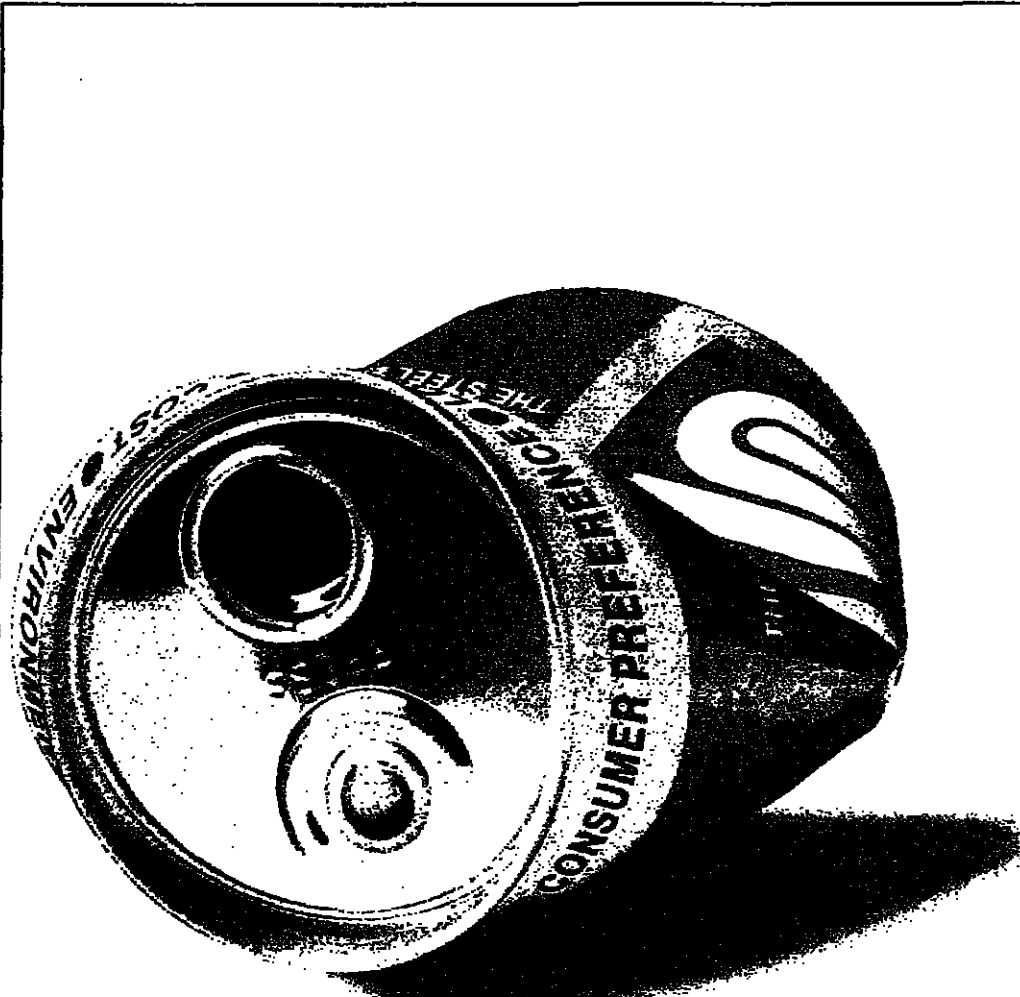
The group has been much more expansive geographically than most British property companies. It has investments across continental Europe as well as a development programme within the UK.

Italian car maker eight months ago to reassume control of the Lancia franchise in the UK from Lancia, a Heron Corporation subsidiary which had held it for six years.

In the longer term, Lancia intends to bring its UK market share, currently 0.14 per cent, closer to its 2.3 per cent average for western Europe as a whole - although this figure includes a 3.5 per cent share in Italy.

Fiat spent £200m on developing the Dedra, a larger and more powerful replacement for its Prisma saloon. It built 47,000 Dedras last year, and in a full year expects to make between 90,000 and 100,000.

The new car was instrumental last year in lifting Lancia's total production to 312,000, a 15 per cent increase on 1988 and the first time Lancia's output had exceeded 300,000.



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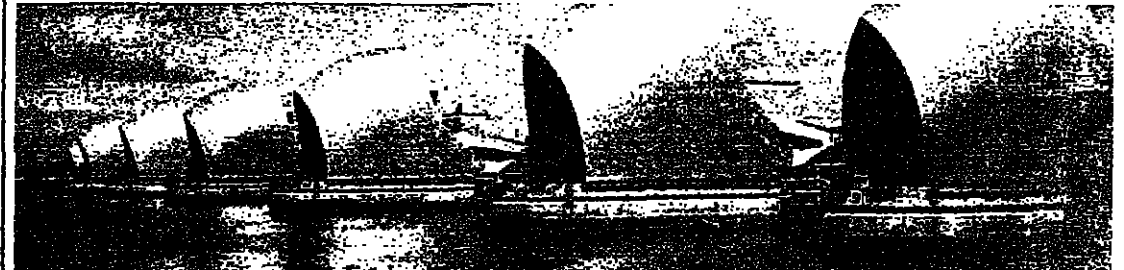
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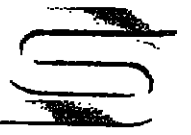
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MANAGEMENT

On the second day of our report on British Aerospace, Paul Betts and David White assess the group's civil and military operations

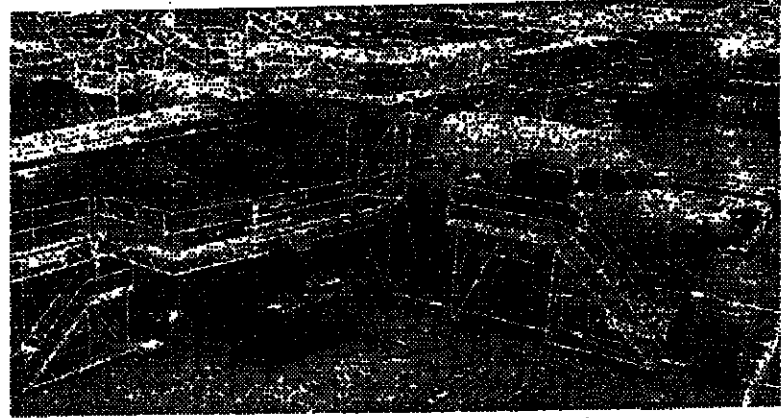
An outburst of enthusiasm

The slightest mention of British Aerospace produces immediate reactions of agony and ecstasy in Toulouse these days. The 13-week old strike at BAE's plant at Chester, which manufactures the wings for all the family of Airbus airliners, is now threatening to bring final assembly of Airbus aircraft to a complete halt in Toulouse, the headquarters in south west France of the four nation European aircraft consortium.

ago," remarks a Toulouse official. But in the last few months, the top brass at BAE have gone out of their way to stress the importance they now attach to Airbus and European co-operation in the commercial aircraft business. There are good reasons for BAE's sudden outburst of enthusiasm for Airbus. Although it has a number of other commercial aircraft programmes of its own, BAE's fortunes in the civil aircraft business are now inextricably linked to those of Airbus. "Airbus is a fundamentally important part of BAE and we are wedded to making Airbus successful," declares Sid Gillibrand, the head of BAE's aerospace and defence activities.

Indeed, Airbus is not only likely to weigh heavily on BAE's commercial aircraft operations but also on the fortunes of the group as a whole. The long-term prospects of Airbus are increasingly encouraging, the consortium's turnover is forecast to rise from \$8bn last year to around \$18bn by 1995. Sustained production rates and a bulging order book for its family of airliners is likely to see Airbus making its first profits in the mid-1990s. BAE is anxious to see the sort of change at Airbus which would enable the consortium to translate commercial into financial success. "We would like to see it having the shape of an industrial company producing a wide range of aircraft," explains Gillibrand. The way forward, he says, is to turn the consortium into a more profit-oriented commercially minded enterprise.

BAE believes the arrival of the West German Daimler-Benz group in the programme will speed up the process of change at Airbus because BAE and Daimler-Benz share the same profit-oriented business approach. Evidence of this, says Maurice Dixon, the managing director of BAE's commercial aircraft subsidiary, includes the decision to make the four European partners compete for work on the new Airbus A-321 twin-engine aircraft, as well as funding the programme from commercial borrowings rather than relying on government financial support. BAE's activities in Airbus have been grouped in a separate subsidiary within the group's commercial aircraft company. This is part of the radical reorganisation of BAE's management structure carried out two years ago in order to decentralise authority and to create a series of separate profit and loss centres. Focused on their specific markets, these were intended to respond to a tougher international competitive environment both for commercial and military aircraft.



Assembly of the 100-seater BAE 146 regional jetliner at Hatfield

affected in the short term by the recent labour dispute. However, in the longer term, BAE now sees its commercial aircraft activities as a growth sector for the company, in contrast with the more uncertain future of its traditional defence operations. Indeed, in its first full year of operation, the new commercial aircraft company achieved a turnover of £1.5bn last year and chalked up £1.1bn of new aircraft orders - in addition to the record order intake of the Airbus consortium for 421 airliners last

year valued at \$34bn. Alongside the Airbus division, BAE has set up a corporate jet division responsible for its profitable BAE 125 executive jet and an airline division which groups together its operations in the cut-throat regional airline market. This division faces a number of challenges, including improving the market penetration of its Advanced Turbo-Prop (ATP) aircraft and of the 100 seat BAE 146 regional jetliner. Sales of the 64 seat ATP have so far been disappointing. Dixon

believes the aircraft has potential but concedes that it "does have to prove its position in the market place." By contrast, the group's other turbo-prop programme, involving the 19 seat Jetstream 31 and the recently launched Jetstream 41 stretched version of the aircraft, is turning into a success story. Dixon says the Jetstream 31 has repaid its launch cost and has now reached the breakeven point. The company is also optimistic about the BAE 146, which is assembled at two plants - Hatfield and Manchester. The main problem of the BAE 146 is that it has four engines at a time when an increasing number of customers are looking for twin engine regional jetliners. However, the BAE 146 appears to have developed a growing number of niche markets and Dixon says the programme is "making good operating profits". At the end of the day, however, BAE's commercial aircraft operations are bound to be increasingly driven by the Airbus programme. Gillibrand believes that new alliances will also develop around the company's regional airline and corporate aircraft businesses. "The future lies in co-operation," he says. PB

In the hangar at Warton, Lancashire, two dozen Tornado combat aircraft await completion, as innocent as chicks in their matt yellow undercoats. The discreet tail-markings on this cool half-billion pounds' worth of hardware show which machines are earmarked for the RAF and which for Saudi Arabia. Warton and the Tornado are the core of British Aerospace's military business. The youngest of its military aircraft centres, Warton has set the pace for the commercially-oriented style that the company has tried to instil throughout its defence activities. With 60,000 employees and more than \$3bn annual sales in defence, BAE has the UK's biggest arms empire. Ranging from bombers to bullets, the amalgam of interests would be a challenge to manage, even in a stable environment: an aircraft company put together from different traditions and now heavily geared to international collaboration; a guided weapons company that has been heavily pruned and is merging with the corresponding parts of France's Thomson group; and the government's former munitions factories, the reorganisation of which has landed BAE in fervent controversy and allegations of

Collaboration - a defence against cost-cutting

asset-stripping. Over the past few years, BAE has had to adapt to tougher procurement practices by the Ministry of Defence, and now faces the uncertainties about future defence spending cuts. BAE is too wide-ranging to be unaffected, although it counts on continuing growth in defensive weapons and high-technology areas. Dick Evans, BAE's new chief executive, takes a down-to-earth attitude: "Nobody knows what is going to happen... You've got to deal with what you have at the moment in your hand." With his promotion, the administration structure has changed for the second time in just over a year. The first change stemmed from recommendations by McKinsey, the consultants, to create autonomous divisional profit-centres. The defence companies were put under one head (Evans) to avoid conflicts of interest in the development of new products. He has now put them together with commercial aircraft, reconstituting a single aerospace company - a move clearly designed to ensure

readiness for strategic moves ahead in European aerospace. Evans is a standard-bearer of the "Warton culture." He joined the predecessor company, British Aircraft Corporation, there over 20 years ago. The other main military aircraft centres, the former Hawker site at Kingston-upon-Thames, where the Harrier is now made, and the plant of the former Blackburn company at Brough, North Humberside, go back to the origins of military flight. Warton developed after World War II and has had a series of successes: the Canberra, the Lightning, and the Tornado. What is it about Warton? It has, explains John Weston, new managing director of British Aerospace (Military Aircraft), "a sort of Northern brassness about it," an emphasis on commercial and management disciplines, and a record of engineering excellence. Weston himself, at 38, is an example of the BAE style of manager, with a life commitment to his side of the business. He joined BAC as an undergraduate apprentice and



John Weston: commitment to his side of the business

has left the fold only for secondments to the headquarters of the three-nation Tornado and to the Ministry of Defence's export department. He sees the company's experience in collaboration and its prime place in UK arms exports as key to its riding out cost-cutting budgets. Defence is already a declining part of BAE's overall business. Last year, including defence-related parts of Rover

and its construction business, its share dropped from more than 50 per cent to barely 40 per cent of group sales. This partly reflected growth in commercial aircraft and cars, but also a slowdown in the weapons business. "The pure hardware side is progressively going to become less important," Evans admits. But "the real money" earner is support and updating of weapon platforms. "The numbers of platforms inevitably become fewer, but the actual capital investment within the platforms continues to multiply. We're in the business of leading the reinvestment. In deals like the UK's £15bn arms package for Saudi Arabia, BAE has built up for itself a role as project manager. In Saudi Arabia, it already has 3,500 people, mainly ex-services, and as part of its economic offset programme is becoming involved in industrial ventures as far removed from military airframes as plastic toilet seats. In these deals, it is able to exploit the breadth of its defence operations, which provide contacts covering all

armed services. A joint Defence Marketing Organisation embraces aircraft and guided weapons. Quite how the new BAE-Thomson missile group, Euro-dynamics, will fit in is still unclear, however. The two partners are setting up a joint non-trading management company and have given it a year to form a fully-fledged joint venture with expected annual sales of £1.4bn. The approach breaks fresh ground for the European defence business, and for BAE, not usually an enthusiast about ventures over which it does not have overall control. The BAE part, BAE (Dynamics), has already been through a major rationalisation. A year ago it had 16,000 employees at nine sites. It now has 12,000 at six sites. There are expected to be fewer weapons projects in future, but the pickings for the winners will be bigger. The rationale behind the merger, which has sprung from two years of contacts between the partners, is to provide the resources needed to ensure a place as prime contractor for new programmes, and to main-

tain a hold on key areas of technology. However, growth prospects for BAE's weapons activities are in some question. One of Dynamics' biggest projects, Trigat, a family of anti-tank missiles being developed jointly with the French and West Germans, is opposed by some top British Army officers. Cancellation would be a considerable blow. Royal Ordnance is also vulnerable to disarmament. But together from 13 government factories and two research establishments, deprived of its flagship product (tanks, which were transferred to Vickers), it is still being weaned away from its former monopoly. When BAE bought it for £190m in 1987, it had no sales structure. It simply made things to the MoD's specifications. Reorganised by BAE into four core businesses, it has a five-year transitional arrangement up to 1993 giving it an ensured 80 per cent of the MoD's direct purchases of specified explosives, ammunition and propellants, but with prices steadily being reduced. It has still to prove it can be

competitive, even after closures affecting 3,500 jobs which have plunged the company into a political row about profitable land sales. In aircraft, the main question hangs over the European Fighter Aircraft, five of which are coming together in Jigs at Warton. Despite rumblings of possible West German withdrawal, Weston believes cancellation is "highly unlikely." The EFA is vital for the military aircraft division in the long-term, but the Tornado and new versions of the Hawk trainer/lighter make up the immediate business, at least for the next five years. And then there is in-life support: the last Tornado, for instance, will be in service for 20 or 30 years. Military aircraft manufacture is expanding more slowly than the business generated by it, which includes infrastructure, support and training. Last year 90 per cent of the division's business was made up of design and manufacture of aircraft," and the proportion is growing. DW Two further articles will be published on this page on Friday.

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The road to unification

EVER SINCE the collapse of the hardline Communist regime in East Germany and the memorable opening of the Berlin Wall last year, German unification has been on the international agenda. Moscow may have pretended for several months that it would never be on the cards and Bonn's western allies that it was a distant prospect dependent on the fulfilment of a whole host of conditions, but no one had any serious doubts that it would happen one day.

That day, however, is looming ever closer as the result of the latest developments in East Germany. The East German Prime Minister, Mr Hans Modrow, has announced that he has been obliged to bring forward to March elections originally planned for May, and to form a non-partisan caretaker coalition in the meantime, as the only way of saving the country. The picture painted by Mr Modrow is indeed alarming: a disintegrating economy, plagued by strikes, the continuing daily haemorrhage of up to 5,000 citizens, who prefer life in West Germany, and a breakdown of law and order.

Because of these overwhelming pressures, half-hearted economic reforms are no longer sufficient to create the kind of environment in which East Germans want to live. Only a few hours after the Prime Minister's doomsday warning, some 100,000 East Germans staged a demonstration in Leipzig, calling for unification with West Germany. It is more than likely that the government emerging from the country's first free elections in March will also make that one of its top priorities.

Under pressure

Under the pressure of events, even Mr Mikhail Gorbachev was forced yesterday to drop his opposition to the principle of unification, while stressing that it needed careful management so that it would take place in an orderly fashion. No western leader would quarrel with that judgment, particularly given the security implications. Would a united Germany inevitably lead to its neutralisation, which would weaken NATO? Could a united Germany become a member of the Atlantic Alliance?

Church, state and poverty

LIVING FAITH in the City, the Church of England's latest analysis of Britain's social problems, is certain to irritate members of the UK Government. It is unimpressed by government initiatives in housing, health care and education, and strongly criticises recent tax and social security reforms, which it says have greatly increased the gap between rich and poor. Many underprivileged people, it suggests, face a bleak future today than they did in the mid-1980s. The implication is that the Government has made little progress in tackling the problems identified in Faith in the City, the church's controversial 1985 study of inner city decay.

Dr Robert Runcie, the Archbishop of Canterbury, has endorsed the latest report which was produced by an advisory group led by the Bishop of Willesden. Dr Runcie, rarely a popular figure in Downing Street, deserves credit for being prepared openly to criticise the thrust of government policy.

The bulk of the population has undoubtedly enjoyed rapidly rising living standards in the past decade. But this general prosperity has been accompanied by acute social disorders: rising inner city crime, more begging on the streets, an increase in one-parent families, and widespread homelessness. There is no agreement on how best to tackle these problems, which beset many other advanced economies. Ministers should therefore welcome constructive criticism, whatever its source.

Relative poverty

The study is deeply critical of the concept of poverty advanced by Mr John Moore, the former Social Services Secretary. Mr Moore pointed out that 50 per cent of those on income support have a telephone and almost all have a television. To talk of poverty in modern Britain, he suggested, was a "dangerous" misuse of language. The church's response is that poverty is a "relative as well as an absolute concept." It exists "even in a relatively rich western society if people are denied access to what is generally regarded as a reasonable standard and qual-

ity of life in that society." It is about powerlessness, exclusion, and loss of dignity, as well as shortage of money.

The authors of Living Faith in the City are therefore concerned by the sharp rise in inequality during the 1980s. Between April 1979 and April 1989, the real weekly earnings of the lowest paid decile rose 5.7 per cent; the top decile enjoyed an increase of 36.6 per cent. Over the same period, the income tax liabilities of the lowest decile fell by 1.6 per cent; those of the top decile fell by 48.5 per cent. "In our judgment," says the report, "the inequalities are too great and are excluding more and more from participating in our society."

Stable currency

That does not mean, however, that all aspects of German unification need or should be delayed and that a step-by-step process cannot be set in train almost immediately, particularly in the economic domain. An economic and monetary union between West and East Germany, without, for the moment, leading to a full federation of the two states, could be the answer to East Germany's problems in the shorter run.

The most urgent measure required is to give East Germany a stable currency and a stable price system. This could be achieved if West Germany were prepared to establish a fixed rate for the D-Mark against the Ostmark which people would then want to hold, instead of fleeing from a currency which is constantly declining in value. Currency integration would go hand in hand with a liberalisation of East Germany's still restrictive foreign investment and foreign trade regulations, thus stimulating trade and investment flows between the two Germanys, the abolition of price controls and rapid moves towards a genuine market economy.

The progressive integration of the West and East German economic systems, involving inevitably some common institutions such as the Central Bank, would lay the ground work for a fuller unification of the country at a later date. But it need not lead, in the short term, to the regaining respectability of alliances which the Soviet Union and most of Bonn's western allies at present so much fear.

Church, state and poverty

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Private charity

The report also criticises the Government's attempt to promote private charity in place of public expenditure. The Bishop of Willesden and his colleagues argue that the amount of money likely to be given in voluntary donations simply bears no comparison with the sums that can be raised in taxation.

It is thus an illusion to believe that an expanded voluntary sector can shoulder a significant burden of poverty relief. The co-existence in the US of well-funded private foundations and apparently intracitable social disorders suggests such scepticism is justified.

This latest broadside from the church is marred in only one respect: there is little discussion of contrary points of view. The authors simply assume that inequality is a bad thing. Many Thatcherites dispute this, arguing that increased differentials are necessary to improve incentives and boost economic growth. Nor does the study consider the argument - popular in the US - that public welfare is usually counter-productive because it increases dependency.

These arguments may be wrong but in 1990 they have to be addressed. The church has every right to question the morality of government economic policy. But it would do so more effectively if it displayed a better understanding of the philosophical rationale behind the enterprise culture.

Quentin Peel and Mark Nicholson visit the latest citadel of a burger empire

The sign at the entrance to McDonald's latest and greatest addition to its hamburger empire says it all: "Only for roubles."

That is a statement of faith by Mr George Cohon, head of McDonald's Canada, and the man who has fought against the overwhelming odds of Soviet bureaucracy and western scepticism for 14 years to build an outpost of the empire in Moscow.

It means that ordinary Soviet citizens will be able to buy their Big Macs and French fries for their own devalued currency, and not be forced to gaze through the windows in envy at a handful of foreign tourists and black marketeers who happen to possess hard currency.

It also means that McDonald's is going to make a mountain of rather useless roubles.

When it opens today in Pushkin Square on the former site of the dreary old Cafe Lyra, McDonald's Moscow is set to break a whole string of records, intentional and unintentional.

It could be the first McDonald's restaurant in the world without a litter problem. Soviet customers are already taking the polystyrene packaging home to reuse.

It could be the first to make a mockery of the concept of fast food: the queuing may well take 10 times as long as the eating.

It certainly expects to be the first to break the 15,000 barrier for individual food orders in a single day. And it intends to be the first restaurant in the Soviet Union where the staff are taught to smile.

The brash red-and-yellow plastic fittings, and that ubiquitous giant M, already provide a shocking contrast in the heart of Moscow to the familiar squalid decrepitude of a Soviet city. McDonald's will be tackling a huge culture gap. It is not just a gap in food culture, between the ultimate American hamburger and the miserable Soviet sausage, although that is large enough. It is a gap in business culture, management culture, leisure culture, and work ethics.

Without the burning zeal of Mr Cohon, it must be extremely unlikely that the project would ever have seen the light of day. Behind the public relations hyperbole and the razzmatazz of opening day lies one of the most painful and painstaking western investments to be made at the very cutting edge of perestroika.

McDonald's is staking its international reputation on the fact that McDonald's itself normally shuns such arrangements, preferring to rely on independent suppliers.

McDonald's, unlike most other early western investors in the consumer sector, will operate in roubles from the very start.

"Earning hard currency is not something we are concentrating on," Mr Cohon insists. "We are a restaurant company. We are more concerned right now with building a business. We are not concentrating on repatriating profits."

"I'm more worried about the crew (McDonald's jargon for its employees), seeing that they don't burn out, and ensuring that the standards are maintained."

It is a company decision which underlines the long-term view it has taken about investing in the Soviet economy, as well as a realisation that the booming "dollar economy" may



A Soviet militiaman looks at the menu; and (right) a promotional brochure shows a Big Mac

Mac attack in Pushkin Square

niture warehouse.

Manned by 250 locals and, for the next few months at least, supervised by top McDonald's managers from Europe and North America, the plant will trundle along on 8 am to 5 pm shifts for the foreseeable future.

Managers insist that a huge inventory of spares and an on-site workshop should keep the plant immune from the chronic parts shortages which are endemic throughout the Soviet Union. Pilfering from work is to be taken care of by security guards at the gate, 10-ft-high barbed wire fencing around the plant and guards and security cameras inside. Sceptical observers will hope the security guards are models of probity.

The food processing plant represents a degree of integration all the more remarkable for the fact that McDonald's itself normally shuns such arrangements, preferring to rely on independent suppliers.

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yet cause a violent backlash.

"Don't think you can come in here real quick, make a deal, and walk out with hard currency profits. That just isn't real," he says.

"You have got to get really good advice. There are no instant experts in this country. Then you have got to get into the mind-set of the Soviets. You have got to start thinking what their problems are."

McDonald's has a 49-per-cent interest in the enterprise; Mossoviet, the Moscow city council, 51 per cent. But the track record of western joint ventures in the Soviet Union is uninspiring.

At January 1, 1,274 joint ventures

had been registered. According to the State Statistics Committee, only 164 were actually operating in 1989, and many of those just turning over. By far the largest proportion have been registered in the easiest but least productive areas. Just 4.4 per cent are involved in agriculture and food-processing industries.

Joint ventures have trouble ensuring adequate and regular supplies in a system where all supplies are allocated by the state, and joint ventures largely fall outside the system. They must try hard to find some way of making profits in hard currency as well as in roubles. They must bridge

the divide in business culture, whether that means employment practices or the definition of profit.

In securing supplies and in spanning business cultures, McDonald's has simply been bloody-minded and insisted on having its way. It has been willing to compromise on the early repatriation of profits.

McDonald's has its own experts to supervise supply right down to the farm level. The company brought in Russet Burbank seed potatoes from the Netherlands and Canadian agronomists to supervise the planting, harvesting and storage.

"The yields are 20 per cent to 100 per cent better than on the adjoining fields," Mr Cohon says. The joint venture sends its own lorries to the farms to collect the potatoes; it refuses to rely on a Soviet distribution system which traditionally wastes at least 30 per cent of the crop. Milk and meat are given the same detailed attention.

The task of quality control fell to Mr Terry Williams, who says he has scoured enough farms and dairies in the past year to compile a telephone directory of Moscow agriculture. Most of the time, he insists, it refuses to rely on a Soviet distribution system which traditionally wastes at least 30 per cent of the crop. Milk and meat are given the same detailed attention.

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DeVilsee sees it through

Although he is not eligible to take part, a debate in the House of Lords today should be a high point for Sir Oscar DeVille, the 64-year-old chairman of Meyer International.

Meyer is the UK's leading distributor of building materials and timber, but the debate has nothing to do with that. It is about education and training. DeVille's interest is that he was the chairman of the review of vocational qualifications, whose recommendations in 1986 are leading to fundamental changes in the English approach to education.

"It was a matter of bridging the gap between the vocational and the academic," DeVille says. "Today he believes that the battle is almost won. 'You had to go for the hearts and minds of all the people involved. The specialists have been won over, most of the head teachers, and the personal directors. Now it is a question of going for the managing directors and finance directors.'"

The report of the DeVille working group is still worth reading. It found not so much that there was a shortage of vocational training in England and Wales, but that it was higgledy-piggledy and unco-ordinated. That may have been an understatement. One table shows that more than 40 per cent of the work force in 1984 had no formal qualifications whatsoever, academic or vocational.

The group called for a national framework in which all vocational training could be viewed as a whole. What impressed DeVille was the speed with which the recommendations were accepted by the Government. It meant that training was being taken seriously at last, he says.

DeVille became chairman of the newly established National Council for Vocational Qualifications, though there is also a chief executive

OBSERVER

In Professor Peter Thompson, so DeVille has time for Meyer. Having spent the first 16 years of his working life at the Ford Motor Company, DeVille remains ambitious. He would like to see the new vocational training having something to teach the French and Germans by the end of the century.

Wrong move

George Cohon, the 52-year-old President of McDonald's Restaurants of Canada and the man responsible for taking Big Macs to Pushkin Square, had a story to tell at the celebratory dinner in Moscow last night. His father was born in the same town in the same year as Leonid Brezhnev. The Soviet Union might be a different place, Cohon often says, if the Brezhnevs had left and the Cohons stayed.

Gurkhas' pay

Gurkha fighters retiring from the Army and returning to the far-flung Himalayan kingdom should thank high-tech for their pensions. For the payments to the 20,000 British Gurkhas and their dependents in Nepal involve a remarkably complex international operation. It has just been fully computerised.

The pension rate each year is worked out by the Indian Government (there are also 50,000 Indian Gurkha pension holders) and passed on to Kathmandu, which in turn informs the Adjutant General's office in London.

Next, Chinese clerks led by British corporals in Hong Kong re-calculate the individual pensions - to incorporate retrospective changes made in 1987 to such items as gallantry awards and trekking allowances.

This data is relayed to the three centres in Nepal. There



"They left me behind to stop you cutting the wire."

the payments are made on a quarterly basis. However, since many claimants may have to trek for weeks from remote areas, pensions (a minimum of \$35 a month) are held for up to three years before they lapse.

A friend tells me that some veterans are given just enough money for a drinking spree when they arrive, and collect the rest of the pension after sobering up for the long trek home.

Absent Exxon

Hard not to feel sorry for Joseph Hazelwood, captain of the Exxon Valdez when the tanker spilled almost 11m gallons of oil off Alaska last March, as he is pushed through the television cameras to begin his trial in Anchorage.

Surrounded by about 80 journalists in courtroom C, Hazelwood looked distinctly isolated. Indeed opinion in the US seems to have changed since the oil spill was at its height. The feeling now is that it is unfair for one individual to take the entire rap.

At the time of the disaster, Hazelwood was vilified as Environmental Enemy No 1 and his fondness for drink became the butt of almost every American comedian. ("Why did Hazelwood run his ship on to Bligh Reef? To get some ice for his margarita.")

Since then sympathetic articles have appeared in the national and even the Alaskan press casting doubts on the claim that Hazelwood was drunk or acting recklessly when the tanker ran aground, two of the main charges he faces.

A poll published in the Anchorage Times showed that while most Alaskans still want him to be punished, only 8 per cent think he deserves a long stretch in prison.

The clue to the shift in opinion was contained in the same poll. More Alaskans put prime responsibility for the spill on Exxon rather than Hazelwood. Yet the US's biggest oil company, which sacked Hazelwood shortly after the disaster, is the party notably absent from the courtroom this week.

Up for air

East German swimmers used to be heroes. But there may have been some cheating. A recent book, Gut Reactions: Understanding Symptoms of the Digestive Tract, published by Plenum, alleges that some of them have had up to 1.6 litres of air pumped into their intestines to improve buoyancy. The benefits were confined mainly to crawl and backstroke swimmers. One breaststroke swimmer complained that his gas-filled insides caused his feet to stick out of the water.

All over now, of course.

Familiar

Two yuppies in a wine bar. One says: "Isn't it terrible what's happening in Nagorno Karabach?" The other replies: "Why, is there no snow there either?"

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ARTS

Calling the tune on the South Bank

Forty years ago, as the Royal Festival Hall on London's South Bank neared completion, it was suggested that the London Philharmonic Orchestra should become the orchestra in residence. The plan floundered.

Yesterday an advisory panel chaired by Sir John Tooley, former supreme at the Royal Opera House, recommended to the South Bank Board that the LPO should become the resident orchestra of the Festival Hall. There is no guarantee that history will not repeat itself.

The regime that inherited the South Bank after the disappearance of its previous landlord, the Greater London Council, has proved fruitful with ideas - the best being that the archaic concrete mass be hidden beneath 1990s designer patina. It has also pursued the concept of a house orchestra, which would improve playing standards and allow it to present more imaginative programmes.

It is no secret that the chairman of the Board, Donald Grierson, favoured a dual residency, shared between the LPO and the Philharmonia. These were the only two orchestras to apply for the advertised residency. In the event, Sir John's panel came down in favour of a more economical single residency and preferred the LPO.

But the negotiations to ease the LPO into the job are only now beginning. There are many problems. For a start the South Bank Board wants a say in the appointment of a new music director for the LPO. Fortunately the LPO is without such a director at the moment so this might be agreed.

More contentious will be the funding of a house orchestra, estimated to cost £700,000 a year by the autumn of 1992 when the scheme is expected to start. The South Bank will find some of the money, the LPO, which will gain valuable extra sponsorship income from its appointment, can contribute its mite; but it will be up to the Arts Council to foot most of the bill. Although it approves of the objective it is reluctant to aid the LPO at the expense of the Philharmonia, or even the other two London orchestras, the RPO and the LSO.

Then there is the matter of programming, in which Nicholas Snowman, artistic director of the South Bank, will expect to play a part. The LPO will give up to 60, very varied, concerts a year in the Festival Hall, as against the average of 40 at the moment. And, although Ronnie Grierson will take no part in the negotiations, his views will obviously carry weight with his colleagues.

If the proposals are successfully negotiated it will lead to profound changes in the musical life of London. For a start the Festival Hall will be closed on 67 nights a year for the additional rehearsals needed for the LPO to reach perfection. At the moment the Hall is dark on only a dozen occasions. It will also reduce the playing opportunities in the prestigious Hall of both the Philharmonia and the RPO. The former's 40 concerts a year will fall to around 25 and the concerts from the RPO will halve to 15. However, the Philharmonia has been given the valuable sweetener of being allowed to rehearse in the Hall, which will save it time and hassle.

All four London orchestras will survive, but the LPO and the LSO (resident orchestra at the Barbican) will find life much easier. The RPO will continue its policy of looking towards higher box office and recording work to stay in business, while the Philharmonia will still be backed by the Arts Council, which likes its commitment to experimental works. Once again a report on music in London has come up with almost as many questions as answers.

Antony Thornton



'Neighbours' and 'Home and Away.' Vivean Gray as Mrs Mangel and Sharyn Hodgson as Carly

TELEVISION

Soaped up from Down Under

Hard-hearted Morag will relent and acknowledge Bobby as her daughter. Even though Harold and Des will resume their partnership and go ahead with the restoration of the coffee bar, they will have another big row, this time about employing Joe Mangel. Nicholas is clearly out to get Fletcher now that they have decided not to sell the caravan park, and this will lead to an even bigger quarrel between Nicholas and Stacey. The quantities of coffee and lager drunk during 1990 will be enough to float the Australian navy.

These are some of my predictions for *Neighbours* and *Home And Away*, the two Australian soap operas which are now shown every weekday in Britain, the first on BBC1 and the second on ITV. *Neighbours* was launched on Channel 7 in Australia in 1985, and first shown in Britain in October 1986. One day in 1987, when Michael Grade was still the BBC's director of programmes, his daughter complained about the difficulty she and her friends had in taping either the lunchtime origination of *Neighbours* or the breakfast time repeat on the following morning in order to watch after school each evening.

Grade (whose flair for scheduling has always seemed to come more from the seat of the pants than from pie charts or computers) decided to move the daily repeat from breakfast time to tea-time, and thus gave birth to a monster. The Top 50 BARB list for November 1988 (actually the five weeks ending 3 December) shows *Neighbours* occupying 25 slots. And in each of the four weeks running up to Christmas, *Neighbours* made a clean sweep of the first five places in the BBC Top 10, with aggregate audiences - origination added to repeat - averaging around 18.5m. The only programme on any channel scoring consistently higher ratings was ITV's *Coronation Street*.

In Australia Channel 7 dropped *Neighbours* after only six months and was then obliged to watch it grow into a huge success on the rival Channel 10. So in 1988 Channel 7 launched another soap opera called *Home And Away* which, in some cases, when transmitted directly against *Neighbours*, won the bigger audience. ITV bought *Home And Away* to Britain in February 1989 and today it too is given a lunchtime origination (12.30) and a tea-time repeat (6.00pm) which, not by chance, allows soap addicts to watch *Neighbours* on BBC1 and then switch straight over to *Home And Away*.

The most useful aid to watching these soaps is a teenage daughter, Holly Dunkley watches both with a dedication which makes her study of History and Art History A-levels look casual, and for the last three weeks she has taped both series for me. This is much the most efficient way of watching them. Using the fast forward button to skip out opening titles, closing credits, commercials, and the overlap at the start of each episode, you find that each programme is reduced to 20 minutes,

and a week's supply of both series lasts not five hours but three hours twenty minutes.

And, for FT readers who are working all day, lack teenage daughters, and have never seen a single episode, what is it that makes these series so popular? There is not, of course, a simple single answer. They are not at all like the glibly American melodramas *Dallas* and *Dynasty*, but much more like the English soap opera *Crossroads*. This is hardly surprising since Reg Watson who launched *Crossroads* and produced it for 10 years is an Australian who returned to his homeland in 1976 and became head of drama at the Grundy Organisation producers of *Neighbours*.

Like *Crossroads* the Australian soaps rarely move their characters outdoors. Once in a while *Home And Away* has a pretty beach scene with lots of surf in the background, and we have recently seen Mrs Mangel in the park. But the overwhelming bulk of the time is spent in a standing studio set, on a 2-shot or a 3-shot. In addition to being attracted by the big ratings, channel controllers must be seduced by the fact that these series are - presumably - wonderfully cheap.

Perhaps the most noticeable similarity between *Crossroads* and the Australian soaps is the archness of the dialogue: much of it sounds as though it were invented by writers who have never heard real people talking, but have been raised on an exclusive diet of women's magazine fiction. Characters use phrases such as "delicious aroma," "suffice it to say," and "there are I, a mother spurned," and the actors are required to deliver without wincing sentences such as "There's a ruthless business brain under that pleasant exterior" or "I've made a resolution: not to let stubborn pride keep me from someone I care about" and even "I never did see why I should resort to needless expensing."

Much of the time events are mundane to the point of tedium. Dramatic moments during the last few weeks on Ramsay Street, home of the *Neighbours*, have included Harold (pompous, prissy Harold, Scoutmaster, stalwart of the church, and proud owner of a new exercise bicycle which I predict may soon give him a minor heart attack) complaining about the noise from a teenage party; and the sponge cake contest being won by neither Midge nor Mrs Mangel, but by young Sharon.

It is not true, however, as commentators have frequently asserted, that "nothing ever happens" in Ramsay Street or Summer Bay, the seaside setting for *Home And Away*. True, you do not get regular murders or the return from the dead which we now expect in *Dallas*, but you do get a mugging (Beverly has just been mugged in *Neighbours* and misquoted) and a dramatic discovery concerning illegitimacy (Morag turns out to be Bobby's mother) as well as such continuing dramatic events as alcoholic Carly going through cold turkey.

It is the confident handling by the

fictional characters of moderately dramatic events such as these, I suspect, which may give the clue to the popularity of these series - especially among teenagers. Most people who have lived in a family would acknowledge that communication, sympathy, understanding, quiet analytical discussion and harmony between the generations were notable for their rarity. In the Australian soaps life is rather different. When Tom Fletcher is offered \$50,000 for the caravan site he calls a family conference and everyone - down to the smallest child - sits round the table and has a vote. Just like an Endicott Byron story.

And although the characters do fall out and argue, even screech at each other quite like real people, they then more often than not, talk the problem through and reach some happy solution. The most striking way of all in which these dramas differ from real life is that it seems to be the teenagers who are the diplomats, the peacemakers, and the solution finders. When Harold and Des row about the coffee bar it is young Mike who keeps a level head and recommends compromise. Although the idea later misfires, Scott kindly ghost-writes a love letter to Bronwen for Henry. ("No probs!")

When you remember that for these teenagers the sun always shines; long, fair, panned hair is the norm (for boys, anyway); there is plenty of private space for everybody; and they are able to talk about sex like a bunch of worldly-wise agony aunts, you begin to realise that what we have here is a fantasy which suits teenage girls (and many boys, no doubt) down to the ground: a cross between *Valley Of The Dolls* and *Noddy In Toyland*. The emotional excitement of the former and the coyness and security of the latter make a highly successful combination.

If you are 15, chronically short of pocket money, fed with English tuition at your Draconian parents who won't even let you stay out at the disco until 1.30, baffled by the very title of the essay you are supposed to write, and anxious to succeed with boys but appalled by their macho cliquishness, then the Australian soaps must look a little bit like Nirvana. In Summer Bay and Ramsay Street the 18-year-old boys treat eight year old girls with sweetest attention and are tremendously approachable generally. The girls deal effortlessly with their homework while carrying on grown-up love affairs, and the adults seem to look to the teenagers to hold together the fabric of society.

With those sorts of attractions on offer, who cares that the characters are two dimensional, that they are either priggish and silly (Mrs Mangel) or brittle and ambitious (Stacey) or funny and lovable (Henry) but never ambivalent and contradictory and complicated like real people? Real life's real enough, isn't it?

Christopher Dunkley

Don Giovanni

GREENWICH THEATRE

"I'm Donald - or Don - Giovanni," leers Mark McGann in his rakish white suit, and those purists in the audience not already rigid with stiffen with disapproval.

Mozart's *dissoluto punito* is the latest to undergo the Carmen Jones treatment. Nick Broadhurst (book) and Tony Britten (lyrics and musical direction) turned *Figaro* into a musical for a successful West End run some years ago. Like its predecessor, this *Don* replaces recitative with dialogue, boasts sometimes violently modern language and makes surprisingly few musical cuts. What music remains is scrupulously executed, both arias and ensembles, by a musical theatre rather than opera-house cast.

The six-strong onstage band bustles through the Catalogue Aria (*rice* the overture), and Sally Crabb's metallic panel design with its unadorned fire-escape balconies plunges us into a world as gracefully, improbably fun as it is well, modern Britain. As Leporello Terence Hillyer (the company's Figaro) is a cockney fixer in trainers and tracksuit with a windcheater whose patterned squares faintly evoke Harlequin. The translation is brilliantly colloquial and fluent in his rakish white suit, and those purists in the audience not already rigid with stiffen with disapproval.

Mr Britten should polish up the English versions at more august institutions - and respects the character of both drama and music. These non-operatic voices are light, but careful and accurate (only in the exquisitely sensuous maskers' trio does one note a rowling quality). The production goes for a leather for theatrical impact and generally succeeds, though Elvira's sexual byplay with the disguised Leporello is a bit much, as are jokes about penile bowel-movement and premature ejaculation. A vein of



Kelly Hunter and Mark McGann

ugly sexism, apt in this of all operas, is thrown into relief by the modernisation, not least by the brilliant metamorphosis of the peasants into a lager-willing job of a Masetto (Billy Hartman) and a punky Doc Marten-booted Zerlina in Kelly Hunter - marvellous; but she must beware of flattening notes for comic or emotional effect, or pulling the rhythm through the 1989 Tony Award winner. (948 4000).

We lose half "Batti, batti" and all "Dalla sua pace," a shame, since Simon Euteris, blossoming into one of our most consistently intelligent young comic actors since *The*

rightly serious. Mr Broadhurst's production errs in playing "Ti mio tesoro" for laugh. The British voice is tight and wiry but evenly lit and agile. The breath control and accuracy in the runs knock spots off the specialist Mozart tenor in the latest recording.

From *Phantom of the Opera* Jan Hartley Morris is a lyrical Anna with a secure, well-covered top register that serves her well in "Non mi dir." The vengeance aria is gentle, introspective, almost brooding, and in the context works well. Sarah Payne's smart-suited Elvira, arriving with chic luggage, embodies Roy Lichtenstein angst, the sullied fallen woman of innumerable B features in the *Clubs* or Marie Windsor mould. Again, a small voice used carefully negotiates both "Fuggi il traditor" and "Mi tradi" to theatrical effect.

On the first night the work might have been rechristened *Leporello*. Mark McGann's Giovanni suffered the after effects of a throat infection and the colourless vocal dryness seemed to inhibit his characterisation. Mr Hillyer's wide baritone dominates the production, especially in the wickedly updated catalogue of his master's conquests: in Birmingham 640, Brighton 230, 90 in Leeds, 400 in Nottingham, but in London - ah, in *London son of a mill' ere*, in deference to this audience's sensibilities, how he dominates the production, especially in the wickedly updated catalogue of his master's conquests: in Birmingham 640, Brighton 230, 90 in Leeds, 400 in Nottingham, but in London - ah, in *London son of a mill' ere*, in deference to this audience's sensibilities, how he dominates the production, especially in the wickedly updated catalogue of his master's conquests: in Birmingham 640, Brighton 230, 90 in Leeds, 400 in Nottingham, but in London - ah, in *London son of a mill' ere*, in deference to this audience's sensibilities, how he dominates the production, especially in the wickedly updated catalogue of his master's conquests: in Birmingham 640, Brighton 230, 90 in Leeds, 400 in Nottingham, but in London - 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Bush 'to propose new troop cuts in Europe'

By Lionel Barber and Peter Riddell in Washington

PRESIDENT George Bush is tonight expected to announce new proposals to reduce US and Soviet troops in Europe...



James Baker: visit to Moscow and Prague next week

The timing of the announcement could be affected by last night's reports by CNN that Mr Mikhail Gorbachev is thinking of standing down as Communist Party leader...

increasingly concerned that events in the Soviet Union and Eastern Europe are spinning out of control...

threat since last May when the Nato alliance agreed its current position. The west has called for cuts in US and Soviet troop numbers to 275,000 each...

These developments have given increased importance to the meeting of foreign ministers from both Nato and the Warsaw Pact in Ottawa in two weeks' time...

Eastern Europe. Apart from East Germany, the main immediate concern is Romania where the State Department has warned publicly that "there should be no backsliding on the part of transitional officials as Romania moves from revolution to democracy."

Western policymakers believe there is an urgent need to agree a framework for discussing both German reunification and broader East/West security issues.

UK spells out cost of forces in Germany

By David White, Defence Correspondent, in London

DEFENDING the central front in West Germany is costing the UK almost as much as it spends on defence of its own territory...

operating costs of equipment, and capital works, as well as a share of the cost of general support.

The cost of the British Army of the Rhine and RAF Germany, including reinforcements and the UK military contingent in West Berlin is put at \$2.45bn for the current financial year...

missile-carrying submarines and work on their Trident replacements.

Tumbling bond prices push 'deal' stocks lower

By Anatole Kaletsky in New York

COLLAPSING confidence among takeover speculators and rumours of financial pressures on some arbitrage funds yesterday sent 'deal stocks' tumbling on Wall Street...

The almost chaotic conditions in the takeover market were described as "the other shoe dropping" after the collapse of junk bond prices...

Yesterday the junk bond market appeared to be stabilising and sentiment seemed to be improving among equity investors...

The worst hit stock was UAL, the parent company of United Airlines, whose aborted leveraged buy-out precipitated the stockmarket's "mini-crash" last October...

This is made clear in a breakdown of the costs of Britain's main defence commitments, contained in a policy document on planned expenditure released by the UK Government yesterday.

The figure for Britain's commitment in West Germany - which is enshrined by the treaty governing the nine-nation Western European Union - is likely to play a prominent part in the growing debate about the future of the 69,000 British servicemen stationed there.

Maritime operations in the Atlantic and Channel regions were costed at \$2.59bn, and defence of the "home base" at \$2.19bn.

It reaffirms plans to raise Britain's total defence spending to \$23.43bn in 1993-3, compared with an estimated outlay of \$20.31bn for the current year of 1989-9.

Agreement on tariff cuts breaks deadlock

INTERNATIONAL trade officials agreed yesterday, after more than six months of bargaining, on a compromise procedure to negotiate import tariff cuts, agencies report from Geneva.

when the current round of Gatt negotiations ends in December. Under the procedure all participating countries will submit proposals for reducing, eliminating and binding tariffs on imports by March 15.

The US had wanted to negotiate reductions on an individual product sector basis, including agriculture. Its proposed request and offer would allow it to ask for tariff cuts on given products, and offer to lower one of its own for each reduction.

such as textiles, where the US tariff is still relatively high. The EC had pressed for across-the-board tariff cuts for industrial products, saying this would prevent countries from keeping high levels of protection in individual sectors.

A series of intensive private consultations at the 106-nation Uruguay Round of world trade talks produced an accord which was adopted at a meeting of a group negotiating on tariffs, said a spokesman for the General Agreement on Tariffs and Trade (Gatt).

Negotiators will then meet in April to discuss whether the proposals are sufficient to achieve an overall reduction of 30 per cent in a nation's tariffs. The 30 per cent target was agreed by trade ministers in 1988.

The US argued that most of its tariff rates were already low. But some other countries held that Washington's approach reflected a desire to protect sensitive industries,

The EC had insisted that agriculture should not be included in this package. The diet spokesman said the agreed procedure allowed countries either to use a formula approach in their offers, or to table individual offers and requests. Although not ideal, it was the best way, given the political and economic constraints and limitations, he said.

Violence erupts during S Africa cricket tour

Continued from Page 1

called the "strong-arm" tactics of the past, and allow peaceful political protest. The clashes highlight the difficulties Mr de Klerk may find in getting the police to follow his order issued earlier this month to keep out of politics.

BCCI had 'policy on drugs money'

By Tom Brennan in Tampa

THE Luxembourg-registered Bank of Credit and Commerce International operated a corporate policy from the highest levels of the bank to take as many deposits as it could without being "too choosy" where they came from, a prosecution lawyer said yesterday in a US drugs laundering trial.

US slowdown 'temporary' Greenspan says

Continued from Page 1

chances of recession had declined since last spring. He said both probabilities were much smaller than occurred at the start of each of the four recessions since the late 1960s.

Mr de Klerk is due to make a policy address at the assembly opening, although government officials have recently tried to dampen expectations that a comprehensive package of political reforms will be announced.

Mr Michael Rubenstein, an assistant US attorney opening the prosecution in Tampa, Florida, against five BCCI officers accused of helping to launder some \$14m of cocaine proceeds, said that the bank began handling drug money "because that's where the action was, in Colombia and Panama."

He also said many bright spots such as the backlog of orders for civilian aircraft

puters. The previous limit was 16-bit.

Bonn officials say the move on computers is helpful and has been aided by a strong lobby in the US and the interest of the US financial services industry in establishing itself in the east bloc.

It remained unclear yesterday whether Mr de Klerk would announce on Friday the release of Mr Nelson Mandela, jailed leader of the African National Congress. Last-minute problems are understood to have arisen about the expected release of Mr Mandela, although he still seems likely to be freed very soon.

"It was a clear, well-defined corporate policy from the highest levels of BCCI to take as many deposits as they could and not to be choosy where it came from," he said.

The plea agreement also ensures the bank's co-operation with investigations into other matters. The US Government is particularly interested in accounts held for the family of Gen Manuel Noriega, the deposed Panamanian leader.

He also said many bright spots such as the backlog of orders for civilian aircraft

WORLD WEATHER table with columns for location, temperature, and weather conditions.

Bonn set for export call

Continued from Page 1

tary application - especially in the Soviet Union - and the US security services complain that digital telecommunications makes eavesdropping more difficult.

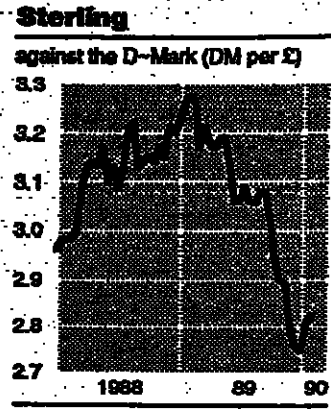
Continued from Page 1

puters. The previous limit was 16-bit. Bonn officials say the move on computers is helpful and has been aided by a strong lobby in the US and the interest of the US financial services industry in establishing itself in the east bloc.

The growing pain of big companies

THE TEN COLUMN

The real puzzle in the CBI's quarterly trends survey is why large companies have suddenly become so pessimistic. On exports, companies with more than 5,000 employees report a sharp deterioration in both orders and confidence...



becoming increasingly nervous, enforcing tougher margin calls on the arbs. The latest downward lurch in the junk bond market is another sign of the worrying decline in the liquidity of the US financial markets...

Not that German bank shares will become fodder for income funds overnight. On the theoretical ex-rights price of DM804, Deutsche's DM14 dividend for 1989 gives a yield of just 1.74 per cent.

Elf Aquitaine, Europe's third biggest integrated oil major, may be far less highly valued than its peers; but it has a chairman who is committed to improving its rating. His first task was easy. Yesterday's massive FF30bn provision for the Texagulf investment, which marred an otherwise impressive set of 1989 results, is an overdue admission that Elf's overseas acquisition record has been disastrous.

Another element in the puzzle is the role played by the overseas subsidiaries of large companies. If demand is falling in the UK, one would expect manufacturers to switch investment to overseas markets.

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Perhaps small companies are simply a more sensitive barometer of economic change. They were the first to experience the slowdown; large companies are feeling the effect later in the cycle. On that basis, the more optimistic noises from small companies are a sign that the slowdown will be short-lived.

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US arbitrageurs As long as the US arbitrage community could bid up stocks like UAL, Hilton and Sea Containers on the slightest whiff of a deal, it was hard to be too bullish about Wall Street's immediate prospects.

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After the Morgan Grenfell purchase, it was no great surprise that Deutsche Bank should make a call on shareholders again, whether or not the Frankfurt rumour mill was right to think it wants to buy a medium-sized French retail bank.

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Over the last couple of days the arbs have even been bailing out of Sea Containers, which seemed to have agreed to sell the bulk of its business to two well-financed suitors. Unless Sea Containers' Mr Sherwood is going to do a complete about-turn, which is not totally impossible, this reaction does not make much sense.

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Advertisement for Crawford's Directory of City Connections 1990, featuring a list of services and contact information for The Economist Publications.

In 1986, Mr Tom Wilkins and 70 other executives put £400,000 of their own money into a £38m management buy-out of the peripheral paper operations of Bowater Industries.

The new company - UK Paper - thrived. Fifteen months later, it joined the market at nearly three times its buy-out price, and last month it succumbed to a £299m cash bid. In three years Mr Wilkins, who joined Bowater as an office boy at 14, had amassed more than \$5m.

UK Paper's successful sale has raised doubts about the principles of management buy-outs (MBOs). Do they, as their champions claim, unleash the entrepreneurial spirit of managers? Or are they simply examples of financial engineering, making a lot of money for a few executives?

The less interesting view of MBOs has been fuelled by steep increases in the number of buy-outs which choose to sell themselves to another company, rather than retain their independence. In 1989, 72 MBOs were sold and 11 were floated, compared with 49 sales and 24 flotations in 1988, according to the Centre for Management Buy-Out Research at the University of Nottingham.

The high returns reaped by managers who sell out to an acquirer (see table) reflect the structure of buy-outs. Typically the senior managers provide between 225,000 and 500,000 each, to obtain a disproportionate share of the equity - usually between 10 and 60 per cent.

But the increase in the value of the business has, in many cases, been spectacular. One theory in the past has been that managers achieve this by drawing on their intimate knowledge of the business in negotiating the price. In the last few years, however, an insider advantage of this nature has become less important, as parent companies increasingly prefer an auction in which managements must bid against outside offers.

Advocates of buy-outs suggest that intensified management effort is at the heart of the increased value of the business. Freed from their corporate parent, managers put new effort into cutting costs and tightening margins.

Mr Michael Bradford of Premier Brands, a buy-out from Cadbury-Schweppes now bought by Hilldown Holdings, believes that the pressures of

Vanessa Houlder reports on management buy-outs

The spoils of enterprise



MANAGEMENT BUY-OUTS that have turned their backs on independence include:

- Premier Brands, the food group which included Tipton tea, Cadbury biscuits and Chivas Martley jam. Nine directors shared some £150m when it sold itself to Hilldown Holdings in May 1989, three years after a buy-out from Cadbury-Schweppes.
- Caradon, a building products company. Its management team saw their investment increase sixty-fold in the four years between buying the business from Reed International and selling to MB Group last October.
- Evans Healthcare, a drugs company. Its management team took 15 per cent of the equity in the £27m buy-out from Glaxo in 1986 and has just sold the business to Medtrac

for £87m. ● This month, United Precision Industries, the UK's biggest maker of bearings, was sold to Nippon Seiko of Japan. Forty UPI managers shared £22m after taking a 15 per cent stake in December 1987.

● James Hyland, an industrial cleaning products specialist, bought out of Cadbury-Schweppes in 1986 for £9.1m, was sold to Unilever, the Anglo-Dutch multinational, last September for £31.6m.

● Intel, a computer services company, which was sold to its employees by the Rover car group for £55m in 1987. Last September, Intel was sold to AT&T, the US telecommunications giant, for £180m, making several of its managers multi-millionaires.

lower return on capital than the industry average. It suggested that opportunities to cut costs and improve margins had usually been exhausted after three years and managers fared less well when facing the hurdles of new markets or increasing market share.

Once the relatively straightforward years of cost cutting are over, it is not surprising that a sale seems attractive. Many managers opt for a congenial partner which will allow them autonomy. In the case of Premier Brands, this - together with a desire to keep the business intact - led it to turn down higher offers in favour of the Hilldown bid.

Some critics believe that managers choose partners that will offer them an easy ride. There is a growing trend towards overseas purchasers, for example, which usually allows their subsidiaries more operational independence.

Foreign sales accounted for 12 per cent of total sales last year, according to the Centre

stantial investment over the next five to 10 years, which would make it more vulnerable to a predator.

However, alternatives to trade sales or flotations do exist. One innovative alternative was that of Unilever, the former Rover Group parts subsidiary which was privatised in an employee buy-out in 1987. Having paid off the £30m of debt that financed the buy-out, it was able to borrow again to buy back £20m of shares and so reduce the institutional holdings from 56 per cent to 36 per cent. The bought-back shares were reallocated to managers and employees, raising their stake to 45 per cent.

"It was an elegant solution for all concerned," says Mr John Neill, Unipart's chief executive. "The investors were repaid their original investment, the employee share ownership has been further widened and the management still feels in control of its destiny."

Looking ahead, it seems likely that managers will continue to seek a share of the equity. "It reflects a more entrepreneurial style of manager that we have in Britain," says Mr Ken Robb, of the Centre for Management Buy-Out Research.

However, the rewards for managers may start to lessen. A slowdown in the economy is likely to weaken the prices paid by acquirers. "The managers' share of equity will be falling and the amount of institutional equity might have to increase," says Mr Robb.

Furthermore, there is likely to be greater emphasis on the risks of buy-outs. Mr Jansen believes that the pressures on managers, who have considerable sums of their own money at stake, are already underestimated. "Having two-thirds of your house on the line is no joke at the time," he says.

So far the failure rate of buy-outs has been low. The risks may become increasingly apparent as a result of the problems of buy-outs exposed to the retail sector, like Lowndes Queensway, MFI and Magnet. The sobering example of Mr Tom Duxbury, who engineered the Magnet buy-out last summer and has this month left the company bearing a loss on his investment, may be just the first of many. This week, Response, a textile group, went into receivership, unable to meet the interest payments on the loans that financed its £50m buy-out from Colortel, 18 months ago.

The desire of managers to own a share of their business is here to stay. But the risks may increasingly bear a more obvious relationship to the rewards.

Labour market

The fallacy about productivity and pay

By Richard Layard

Should workers be paid according to the productivity of their enterprise? According to senior ministers and CBI leaders the answer is Yes. But the standard answer has always been No.

So where do ministers go wrong? They start from the important proposition that to stop inflation, average wages in the economy should rise only as fast as average productivity. They then suppose that an easy way to achieve this is to pay each firm at the same rate as productivity in the same firm.

But this method is disastrous and doomed to failure. It is not only unfair but grossly inefficient. There are huge differences in productivity between sectors, which are mainly due to technological factors and not to the efforts of the workers. Thus some sectors have inherently greater productivity growth than others - with manufacturing generally outstripping services. Since this reflects no special merit among the workers in manufacturing, why should workers in services increasingly fall behind?

The service workers will not, of course, agree to do so, and market forces are on their side. So the chief result will be additional inflationary pressure, as service workers' pay tries to keep pace with manufacturing. This is the fundamental problem behind the ambulance workers dispute.

The mechanism can be simply illustrated. Suppose productivity grows at 5 per cent a year in manufacturing and 1 per cent in services - an average of, say, 3 per cent. If all workers get 3 per cent wage increases, all will be well. But that is not the current philosophy. Government ministers have told those in "manufacturing" that they can reasonably expect more. But then the "service" workers also insist on getting more too. The result is disastrous.

An important reason for our present problems is this half-baked philosophy. Yet these issues are not new. In 1967 William Baumol wrote a famous article in which he explained how economic progress proceeds in a properly

functioning economy. Productivity grows faster in manufacturing than in services. But wages grow at the same rate (so that the relative price of manufactures falls).

In this way the fruits of high productivity growth are spread evenly across the economy, not hogged by one group of workers. Thus workers are four times richer than they were half a century ago because of productivity increases in the rest of the economy. How on earth could anybody believe that efficiency or equity required otherwise?

The inefficiency in productivity-based pay is manifest. If firms with high productivity growth pay higher wages, rather than cutting their prices, their sales will be depressed. Employment in the

Germany, Japan and Sweden the "going rate" is a standard concept - and not an object of abuse. In all these countries there is a form of co-ordinated wage bargaining.

In Sweden, the clearest case, the national employers' federation bargains directly with the national trade union federation. In Germany and Japan there is a "pattern settlement", often in the metal industries, which is then broadly followed elsewhere. This settlement is preceded by informal national talks among the employers' associations of different industries and likewise among trade unions.

By these means Sweden, Germany and Japan have been able to contain inflation with much less unemployment than countries with less co-ordinated wage bargaining. The graph makes the point.

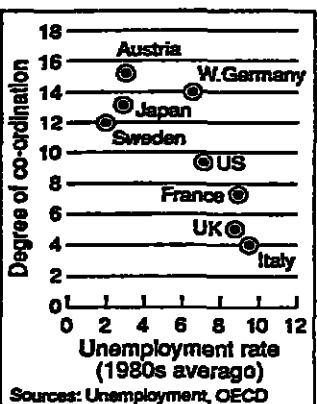
There must of course be some differences in wage settlements across firms. To motivate workers towards better working practices they must be offered a share in the resulting gains. And expanding firms need to raise wages to attract labour.

Such minor adjustments can happen perfectly well against the background of a national going rate. This ought to emerge from some co-ordinated process. For the fundamental pay problem is that one man's wage increase leads to another man's price increase. Without co-ordination all end up having higher wages and paying higher prices. But, when there is co-ordination, this danger can be faced explicitly and we can short-circuit the pointless wage-price spiral.

So the CBI should persuade its members that, since they have a common interest in lower inflation, they should individually operate on the basis of an agreed and sensible going rate. The Government should apply strong pressure on the CBI to secure this.

In any case let's rehabilitate the notion of the going rate. It is far better than telling the lions to take the lions' share.

The author is Professor of Economics at the London School of Economics.



Source: Unemployment, OECD Degree of co-ordination, E Tarantini

LETTERS

Insider trading: lessons from the US experience

From Mr Leo Herzog. Sir, Your editorial comment ("The attack on insider trading," January 26) expresses concern about "the movement of share prices in advance of big mergers and takeovers." In a statistical study of 172 successful tender offers in the US from 1981-1985, the authors reached the following conclusions:

aggregate run-up statistics must be used cautiously as measures of illegal insider activity. If the study is correct, your excellent newspaper (quite legally) may be responsible for some of the anticipatory price movement that troubles you. Moreover, there may be little that can be done to remedy the situation within the framework of free markets and a free financial press.

With regard to your suggestion that civil damages and penalties against insider trading could be an important supplement to criminal sanctions, it appears unlikely that they would change the behaviour of many people in England. Personally, I would be terrified of

even a £25 fine (let alone the £25,000 you mention or a prison sentence) as I am sure would your leader writer. Most potential insider traders have licences or reputations to lose. To the extent that civil remedies have been an important factor in reducing insider trading in the US, it is probably mainly because they increase the incentives of private enforcers, which expands the amount of enforcement far beyond what the Securities and Exchange Commission and the Justice Department can undertake. But this depends on legal institutions that do not exist in England: class actions and court-awarded fees to class action lawyers when they are successful.

However, there is one thing the US has done to increase the risk of discovery that does not require a change in legal institutions. The statute that authorises the SEC to sue for treble damage civil penalties also permits the SEC to pay up to 10 per cent of any recovery to informers. But there may be objections to such a blatant encouragement of informers.

Need for alternatives to higher unemployment

From Mr John Philpott. Sir, Your editorial comment ("The fear of recession," January 22) concludes that a rise in unemployment will be an unavoidable consequence of a determined effort to reduce inflation, given the absence of any prospect of reform of UK wage bargaining. It makes depressing reading, especially when set against Ronald Dore's informative account (Letters, January 22) of the advantages of the Japanese wage bargaining process.

However, while your conclusion is undoubtedly based on a fair assessment of current economic and political realities, one should be aware of the dangers of reverting to the

there-is-no-alternative mentality of a decade ago. As Peter Robinson rightly points out (Letters, January 17) the UK now has a worse unemployment/inflation trade off than in 1979 despite successive measures to free the labour market. Ironically, this is to a large extent a consequence of the Government's resort in the early 1980s to a crude deflationary policy. The legacy has been insufficient industrial capacity, continuing skill shortages, and almost 750,000 long-term unemployed unable to influence "insiders" engaged in wage bargaining.

A similar policy seems unlikely to have such severe consequences today since industry is more aware of the need to maintain investment in plant and people during the downturn in activity and the benefits system is less conducive to a sharp rise in long-term unemployment. But it is none the less short-sighted to believe that higher unemployment will be increasingly diverted into woodworking.

Mill closures and job losses not expected

From Mr A Tipton Wigajoprajitno. Sir, The article by Mr John Murray Brown ("Indonesia's soaring timber tax," January 11) contains several inaccuracies. Mr Brown contends that the recent increase in taxes levied on sawn timber exports will result in massive mill closures and unemployment. Analysis of trade statistics compiled by the Indonesian Sawmillers Association refutes this. Since 1984, at least two thirds of the annual sawn timber production has been sold domestically.

In 1989, estimates indicate that only 3,621m cubic metres was exported out of 10,709m cu m produced. A majority of mills supply the

domestic market and will not be directly affected by the increase in export taxes. Most of the approximately 400 mills which were export-oriented have resorted to diversification into woodworking: 168 of these already have an installed woodworking capacity for export. Woodworking products, which include decorative mouldings, doors, solid door and window components, railway sleepers, and pallets, are exempt from the recent export tax increase.

Assumption requirements should remain fairly constant. The remainder, used by sawn timber and secondary products producers, will be increasingly diverted into woodworking. These figures illustrate the shift expected within the Indonesian wood products industry as a result of the export tax increases for sawn timber. A large proportion of mills will not close, nor will unemployment be severe. Part-time employees may become redundant, while those under contract will instead work in the growing woodworking sector. A. Tipton Wigajoprajitno, Indonesian Sawmillers Association, Wood Product Manufacturers Association, Jakarta, Indonesia

IF YOU WERE TO DESIGN YOUR IDEAL BUSINESS TRAVEL SERVICE CARD WHAT WOULD IT OFFER?

- personalised service, and recognition from airlines?
- office and board room facilities abroad?
- airport lounges to relax in?
- special benefits from hotels, restaurants and car-hire companies?
- a facility to pay for business expenses such as hotels, restaurants, car-hire?

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INTERNATIONAL COMPANIES AND FINANCE

MCI shares plunge after worse than expected result

By Anatole Kaletsky in New York

MCI Communications, the second biggest US long-distance telephone company, announced worse than expected earnings yesterday, precipitating a sharp fall in its shares price.

Last year the company's shares were among the strongest performers on Wall Street. But after falling 3% to 30% yesterday morning shortly after the results announcement, they had lost almost 25 per cent of their value in the past two weeks. The shares peaked at 44 1/2 last October and were worth more than \$40 earlier this month.

MCI said it earned \$101m or 39 cents a share in the fourth quarter, compared with \$115m or 46 cents the year before. The earnings reduction was due entirely to two non-recurring charges.

Excluding these charges, which related to early debt repayments and certain consolidation expenses, earnings per

share would have been 63 cents, a 37 per cent improvement on the year before, the company said.

However, even this result was lower than many analysts had estimated. And an ambiguous comment about prospects for 1990 by Mr Daniel Akerson, the company's chief financial officer, apparently unnerved investors further.

Mr Akerson said that Wall Street was estimating 1990 earnings at \$3 to \$3.15 a share. He refused to endorse these estimates, but noted that the \$3 figure would represent a 30 per cent advance over last year's earnings.

This comment was interpreted by some nervous investors as an indication that MCI's profits would come in at the lower end of the expected range.

MCI's full-year results showed net profits of \$623m or \$2.09 a share, compared with \$334m or \$1.33 in 1988. Annual

revenues grew 26 per cent to \$6.47bn. Fourth-quarter revenues were \$1.71bn and revenue growth was down to 20 per cent.

The latest quarter's results included an after-tax extraordinary charge of \$35m for the early retirement of \$500m worth of MCI's bonds.

It also included a pre-tax provision of \$55m for the consolidation of various engineering operations in Texas.

The profits announced in the fourth quarter of 1989 included a pre-tax gain of \$12m from a legal settlement and an after-tax charge of \$10m for debt retirement.

Mr Akerson said he expected this year's revenues to show a 20 to 25 per cent increase and traffic volume to grow by about 25 per cent. This would mean MCI continuing its market share gains, since the long-distance telephone industry as a whole would probably grow by about 10 per cent.

USX climbs 27.6% to \$965m for full year

By Alan Friedman in New York

A STRONG improvement in operating income from its energy businesses and reduced debt servicing expenses helped USX overcome a decline in operating earnings from its steel holdings to turn in 1989 full-year net profits 27.6 per cent higher at \$965m or \$3.53 per share.

The US steel and energy group's fourth-quarter net income, helped by sharply lower interest charges, rose 54 per cent to \$244m or 91 cents per share.

The results were achieved on full-year revenues of \$18.7bn, up 10.7 per cent, and fourth-quarter sales of \$4.88bn, also 10.7 per cent higher year-on-year.

Mr Charles Corry, chairman of Pittsburgh-based USX, said operating income from the energy divisions more than doubled to \$672m last year. He also highlighted \$70m of proceeds earned from asset sales last year.

Mr Corry said that "of particular importance is the improvement in our financial position," noting that financial obligations were reduced by \$2.2bn.

In the energy business Marathon Oil achieved \$622m operating profit on \$11.2bn of sales, compared with \$506m on \$9bn in 1988.

The company's upstream (exploration and production) operations improved dramatically to \$363m operating income, mainly due to higher prices in the US and abroad.

By contrast, operating income from downstream (refining, marketing and transport) dropped to \$405m in 1989 from \$465m previously.

The steel business suffered a 14 per cent decline in last year's operating income to \$430m, while revenues were down by \$100m to \$5.7bn.

The lower sales and income was attributed by USX mainly to the sale last spring of its Lorain, Ohio works.

Fourth-quarter steel earnings were \$75m against just \$16m in the 1988 corresponding period.

This was partly a reflection of a special restructuring provision taken in the fourth quarter of 1988.

USX's diversified businesses made \$46m in the final quarter, a drop from \$105m in last year's period.

The full-year result from diversified activities was \$120m, against \$333m.

The company is proposing a dividend of 35 cents per share, unchanged on 1988.

Huntsman to join GE in Aristech bid

By Alan Friedman

HUNTSMAN HOLDINGS, a privately held plastics business, will join forces with the plastics division of General Electric of the US to make a bid of at least \$78m or \$27 per share for Aristech Chemical, a Pittsburgh-based maker of industrial chemicals, polypropylene and other chemical products.

The Huntsman-GE bid proposal would top an \$84.5m or \$28 per share offer from Mitsubishi of Japan and a group of Aristech managers. The announcement came just hours before Mitsubishi's bid was scheduled to expire last night.

Huntsman, who first made a \$25 per share offer for Aristech last October, was reportedly angry earlier this month when the Mitsubishi deal was announced as a management buy-out.

Mitsubishi would obtain overwhelming majority control of Aristech if its proposal were accepted. Mr Huntsman owns about 8.7 per cent of Aristech.

The Huntsman camp insisted yesterday it wanted more time for its bid to be considered and was, meanwhile, going ahead with a formal proposal to Aristech's board. The prospect now is for an auction that could drag on for several weeks.

Machinists' strike checks Boeing

By Roderick Oram and Paul Betts in Seattle

BOEING has reported sharply lower fourth-quarter earnings because of the "severe impact" of a 48-day machinists' strike which drastically curtailed deliveries of new airliners. It also suffered a big loss on its defence operations.

Net profits dropped to \$77m or 34 cents a share from \$174m or 74 cents a year earlier. Sales were flat at \$4.85bn against \$4.87bn. The results were lower than some analysts had forecast.

The strike over a new contract by Boeing's manufacturing hourly workers, members of the International Association of Machinists and Aerospace Workers, cost it \$2bn in sales, the company said.

It had planned to deliver 328 jet airliners last year, but managed only 284.

"Higher than expected lump-sum wage payments" under the terms of the strike-setting new contract and the disruption costs of the stoppage "contributed to a substantial reduction in fourth-quarter operating earnings and interest income."

These factors also helped cut Boeing's cash on hand at the end of the year to \$1.86bn from \$3.96bn a year earlier. The funds are urgently needed to help finance the 777, a twin-engine aircraft Boeing hopes to launch soon to compete against the Airbus A-330 and A-340.

Net profits for the year ended December rose to \$973m or \$4.23, including a gain of \$99m from the adoption of a new accounting standard. A year earlier it earned \$614m or \$2.68.

Sales were \$20.23bn against \$19.98bn.

Boeing's military business turned in an operating loss of \$475m last year, more than double the loss analysts expected and up from about \$100m a year earlier.

Last year Boeing received orders for 963 commercial aircraft. At year end its backlog of firm orders was worth \$74bn, of which 62 per cent was attributed to airliners, against \$45.7bn, of which 87 per cent

was for airliners a year earlier. The company plans to produce 455 commercial aircraft this year, comprising 383 Boeing jet airliners and 72 DeHavilland turboprop commuter airliners.

In 1989 it produced 284 jets and 53 turboprops.

Mr Frank Shrontz, chairman, said Boeing's key challenge this year was to achieve higher rates of output, improved productivity and orders to warrant the launch of the 777.

On the military side it hoped to improve the performance of some programmes and to combine successfully its defence and space businesses in one division.

BNE in humbling race for survival

Alan Friedman on a once-proud bank's breakneck rush to sell assets

A year ago the Bank of New England (BNE) and Mr Walter Conolly, its buccannery chairman, were both still riding high.

The Boston-based commercial bank, with \$31m of assets and a striking reputation as one of America's "super-regional" institutions, seemed capable of weathering what appeared to be a passing indisposition in the north-eastern real estate market.

Recently, however, the bank's financial health has gone from bad to worse and then to just plain awful. The real estate crisis, one of the key features of the slide into recession in New England, has hit hard.

Losses and non-performing loans have jumped well beyond Wall Street's expectations and the Federal Reserve has stepped in to force \$6bn of emergency asset sales.

Mr Conolly, who agreed in December to step down from the regional banking conglomerate he had assembled almost single-handedly, was finally ousted last weekend after a unanimous decision taken during a telephonic meeting of the 12-person board of directors.

Raw numbers, while not telling the entire story, serve to illustrate the disaster:

- BNE's share price stood at a hefty \$25 at the end of the third quarter of 1989, making for a market capitalisation of \$1.6bn. At yesterday's price of \$4 1/2 the bank's market value had been slashed to \$285m.
- The bank's \$2.25bn of non-

performing loans at year-end represented 8.6 per cent of total lending and nearly a fifth of the real estate loan book.

A fourth-quarter loss of \$2m and full 1989 loss of \$1.02bn compared with a 1988 net profit of \$281.7m.

The bank's capital base has deteriorated to less than \$500m, compared with total year-end assets that were down to \$350m. This makes for a dangerously thin 1.7 per cent capital ratio, compared with the 3 per cent required by regulatory authorities.

Among the questions being asked on Wall Street is how much blame to apportion to the real estate crisis and how much to the 61-year-old Mr Conolly, who went on an acquisitions and expansion spree as soon as he took control of BNE in 1985 after merging into it with his Connecticut Bank & Trust Company.

Mr Conolly could not be reached for comment, but the preliminary indications are that cautious management took a bank seat to his ambitious drive to transform the bank into a super-regional.

BNE, America's 15th largest commercial bank, is now distinguished mainly by its breakneck race to sell assets, including a \$22m deal this week that saw Citicorp gobble up the credit card division.

In some respects it is not so much the crisis as its speed which is striking. In mid-December, when it looked as though real estate problems were mounting, Mr James Sweeney, the executive vice

president in charge of real estate lending, was reassigned to other duties.

Then, after a dramatic board meeting, it was announced that Mr Conolly would step down as soon as a successor could be found. Just after Christmas the bank cancelled its regular quarterly dividend.

After New Year's Day the bank said it was selling its McCullough Lease business to GE Corporation, a deal which will net about \$450m. And by the middle of January the Federal Reserve stepped in to order drastic management changes and asset sales.

Last week Mr Conolly faced every banker's worst nightmare: a good old-fashioned run on deposits. As a result BNE went to the discount windows of the Federal Reserve of Boston and borrowed an estimated \$475m. It was under these circumstances that last Friday, the board told Mr Conolly he had to go, immediately.

A senior Massachusetts-based BNE board member, who asked not to be named, claimed it was unfair to blame Mr Conolly for all the bank's woes.

Yet he added: "I think he [Conolly] had begun to feel he had lost credibility with US regulators, the local financial community and some depositors."

Mr H. Ridgely Bullock, a member of the bank's board, was named last weekend as interim chairman and chief executive. In Mr Conolly's place.

Imasco expands fast-food side

By Robert Gibbens in Montreal

IMASCO, the Canadian financial services, tobacco and retailing group, is expanding its US fast-food business by buying the Roy Rogers restaurant chain for US\$365m from Marriott Corp.

The deal is being conducted through the wholly owned Hardee's Food Systems, now the third largest hamburger chain in the US which operates 3,298 restaurants.

The Roy Rogers chain will add 600 restaurants - 283 company-owned and 317 franchised - in the Washington, Balti-

more, Philadelphia and New York areas.

Imasco, 40 per cent owned by BAT Industries of Britain, said the acquisition would strengthen Hardee's position in a highly competitive market.

Hardee's and Rogers locations are complementary, with Hardee's concentrated in the south-east and mid-west and the Rogers units will be converted to the Hardee's name.

Hardee's has doubled in size since 1981 when Imasco bought

full control, and for the nine months ended September 30 system-wide sales were C\$3.1bn (US\$2.6bn), revenues were C\$1.3bn and operating earnings C\$88.6m.

Rogers had revenues of US\$165m in the first half of 1989, up 3.8 per cent on a year earlier.

Imasco said the impact on its earnings in fiscal 1990 would be neutral, but positive in fiscal 1991.

Hardee's will finance the deal from internal resources and existing credit lines.

MacMillan Bloedel retreats

By Robert Gibbens

MACMILLAN Bloedel, Canada's leading forest product group, was hit by the high Canadian dollar and heavy newspaper price discounting in the fourth quarter of 1989.

These factors far outweighed strong pulp markets and good results from timber and paperboard.

Fourth-quarter net profit was C\$36.3m (US\$30.7m) or 35 cents a share, down from C\$69.9m or 68 cents a year earlier, on sales of \$78m against

C\$901m. Earnings for all 1989 fell to C\$233.5m or C\$2.27 from C\$316m or C\$3.08 on sales unchanged at C\$3.8bn.

Rising manufacturing and raw material costs, plus the start-up of three new sawmills, also affected the results adversely. The Canadian dollar rose 4 per cent against the US dollar during 1989.

MacMillan said newspaper prices had stabilised and the order backlog was good, but further price erosion could not

be ruled out as more machines came on stream. Timber markets should continue strong and containerboard prices had stabilised.

Kruger, a large privately held newsprint, coated paper and converted products group in eastern Canada, may take control of a C\$140m hardwood pulp mill project in north-east Saskatchewan using a new "steam explosion" technology developed by Stake Technology of Toronto.

Scott Paper's net income disappoints

ANNUAL results from Scott Paper, the Philadelphia-based group which is the world's largest manufacturer of sanitary tissue, were "disappointing," according to Mr Philip Lippincott, chairman and chief executive officer, writes Maggie Urry.

Excluding special items, earnings per share rose only 25 per cent from \$4.01 to \$4.11. It was the sixth consecutive year of record earnings.

Net income for the year fell from \$400.8m to \$375.5m, and for the fourth quarter was down from \$80.9m to \$71.6m. Fourth-quarter earnings per share were \$0.97 against \$1.05.

Annual sales were 7.2 per cent higher at \$5.1bn, with fourth-quarter sales ahead by less than 1 per cent at \$1.3bn.

The year's dull figures were in spite of "an outstanding performance" by the group's US tissue operations, which increased its earnings by 24 per cent.

Foreign earnings were depressed by lower earnings from Britain's Haverhill Meat Products, in which Canada Packers has a 50 per cent stake. The company is in the process of selling this interest to its partner, J. Sainsbury, the UK food retailer.

Setback at Canada Packers

By Bernard Simon

CANADA PACKERS, one of Canada's leading food processors, blamed "difficult conditions in the meat markets" and its British operations for a sharp drop in earnings in its third fiscal quarter, which ended on December 23.

Net income fell to C\$46.1 (US\$38.8m) or 12 cents a share from C\$1.15m or 32 cents a year earlier. The 1989 figures included proceeds from property sales. Sales slipped to C\$785.1m from C\$882.3m.

In the 39 weeks to December 23, net income was halved to C\$12.7m or 35 cents from C\$24.5m or 67 cents.

Canada Packers recently announced that it was buying the controlling block of shares held by Toronto's McLean family, which was up for sale last year.

The company said stiff competition for supplies of cattle and pigs had narrowed profit margins. The Canadian beef processing industry is going through a turbulent period with the focus of the industry moving from Ontario to Alberta. Canada Packers, for instance, closed a cattle slaughtering plant near Toronto earlier this month and is now supplying Ontario from western Canada.

Foreign earnings were depressed by lower earnings from Britain's Haverhill Meat Products, in which Canada Packers has a 50 per cent stake. The company is in the process of selling this interest to its partner, J. Sainsbury, the UK food retailer.

Mellon seeks buyer for unit

MELLON BANK of Pittsburgh is looking for a buyer for Mellon Financial Services unit, its consumer finance operation, Reuters reports.

The bank said the financial services unit, based in Oak Brook, Illinois, was a profitable, well-run business but was not essential to its retail banking strategy. It added it was focusing its retail resources in the central Atlantic coastal region.

Mellon Financial Services Oak Brook operates 87 offices in 17 states. At December 31 the unit had assets of about \$550m.

Coca-Cola boosted by sell-offs

By Karen Zagor in New York

COCA-COLA, the world's biggest soft drink company, yesterday reported record earnings for the fourth quarter and year, in what the company described as the concluding achievements in a decade of outstanding growth.

For the December quarter, net income surged more than 200 per cent to \$767.2m or \$2.22 a share from \$230.5m or 65 cents previously.

The results were bolstered by the sale of Columbia Pictures in November and the sale of the company's bottled water business last year. Excluding gains from these sales, net income in the latest quarter was 72 cents a share.

Operating revenues in the three months rose 11 per cent to \$2.25bn from \$2.03bn.

Earnings for the full year jumped 65 per cent to \$1.72bn from \$1.06bn. Earnings per share advanced 73 per cent to \$4.92 from \$2.85. Per-share earnings for the year, exclu-



Roberto Goizueta: company is well-positioned for decade

per cent in 1989. Volume sales in the '80 grew 11 per cent while operating income advanced 16 per cent, due partly to increased distribution in France and the introduction of Sprite in Britain.

Unit volume grew 12 per cent in Latin America and 10 per cent in the Pacific and Canada. In contrast, volume in the US rose less than 3 per cent.

Mr Roberto Goizueta, chairman and chief executive, said: "For the year, total return to our shareholders - stock price appreciation plus dividends - was 76 per cent. This is the highest return earned for our shareholders in 54 years."

The return on average common shareholders' equity was 38 per cent, excluding the Columbia gain.

"The company is extremely well-positioned to continue to achieve strong profitable growth in 1990 and for the remainder of the decade," Mr Goizueta added.

quarter's result represented an improvement on the previous three months.

For 1989 as a whole Control Data reported a net loss of \$680m or \$16.11 a share, compared with a net profit of \$2m or 3 cents in 1988.

The company's annual revenues fell by 19 per cent to \$2.93bn, largely because of business disposals.

In the latest quarter revenues were \$394m, 44 per cent down on the same period a year earlier.

Charges knock Control Data

By Anatole Kaletsky

CONTROL DATA, the struggling Minneapolis-based computer company, suffered another big loss in the fourth quarter as a result of further restructuring and asset disposal charges. Excluding non-recurring items, the company said it had been operating profitably for the past six months.

Control Data had a net loss of \$196m or \$4.63 a share in the latest quarter, including a pre-tax restructuring charge of \$215m.

A year ago its net loss was

\$13m or 31 cents. The company said about half the charges related to VCI, a semiconductor subsidiary which Control Data expects to sell at a loss soon.

The rest of the charges were due to the closure or sale of various operating facilities in the US and overseas, as well as to writedowns of intangible assets.

Excluding the charges Control Data said it had been operating profitably in the past two quarters and that the latest

quarter's result represented an improvement on the previous three months.

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The company's annual revenues fell by 19 per cent to \$2.93bn, largely because of business disposals.

In the latest quarter revenues were \$394m, 44 per cent down on the same period a year earlier.

Borden edges ahead in fourth quarter

By Karen Zagor

BORDEN, the diversified US producer of packaged foods, has reported a moderate increase in fourth-quarter earnings, although restructuring costs led to a net loss for the year.

Net income for the three months ended December 31 rose 7 per cent to \$99.5m from \$93.9m, while earnings per share increased 6 per cent to 67 cents from 63 cents previously.

Sales in the quarter slid nearly 2 per cent to \$1.96bn, which the company attributed

to a decline in its dairy division.

Earnings in the recent year were dragged down by an after-tax charge of \$404.4m or \$2.73 a share, established in the third quarter, for a reserve to cover the cost of restructuring programmes.

The New York-based company said the charge resulted in a loss in 1989 of \$60.6m or 41 cents a share against net income of \$311.9m or \$2.11 a year ago. Sales in 1989 increased 5 per cent to \$7.59bn from \$7.24bn.

Excluding the one-time charge, income in the last year advanced 10 per cent to \$31.5m.

Operating income in the fourth quarter reached a record \$222.3m, up 6 per cent from 1988.

The company's grocery and specialty products division posted a 35 per cent gain in income for the 1989 quarter.

Operating income from its snacks and international consumer products division rose 6 per cent while that of the dairy division fell 24 per cent. Sales for the division also fell.

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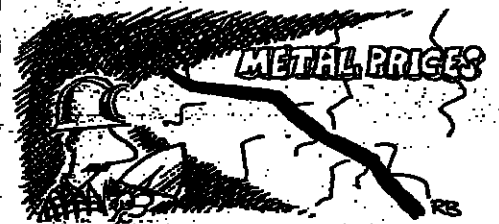
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INSIDE

Go East, young German banker

The rocketing interest in co-operation between companies on the two sides of the East-West German divide after last year's political upheavals are having their repercussions on West German banks. Most have announced plans for new operations in East Germany — Dresdner Bank has opened an office in its "home town" Dresden with some 100 staff — but the real source of interest, and potential, is in financing the growing two-way trade and joint ventures in the offing. Many West German banks have plenty of money to lend and most are looking to the East for untapped potential. *Heig Simonián reports. Page 18*

Hitting a thin profits seam



One Canadian base metal producer after another has been closing mines and laying off workers this month, as falling metal prices and the slowdown in the leading industrial economies squeeze the mining industry. However, by taking prompt action to prevent an expensive build-up of stocks and to hold down operating costs, producers hope to avoid problems such as those faced during the mining recession of the early 1980s. *Page 22*

Insured for success

Scottish unquoted investment group ESII has many strings to its bow, including skiving, waste disposal, structural steel engineering and printed circuit board manufacture. Now it is attempting to add insurance to its quiver through a hostile £11.8m bid for Salfire Insurance Investments, a fellow Edinburgh investment trust. Irrespective of whether the bid succeeds or fails, ESII intends to seek investment trust status this year. *Mr Michael Munro, head of ESII, tells James Buxton and David Owen. Page 25*

No pain, no gain

Construction company Kumagai Gumi mixes unconventional with success. Despite the fact that margins are greater in the domestic market and that its profits tend to rise as a percentage of capital when the ratio of overseas work falls, it is continuing with its international expansion plans. Kumagai's philosophy, writes Robert Thomson, is "no pain, no gain." *Page 21*

Day of the bear recedes

Istanbul's emerging stock market, the IKMB, appears to be on the path back to the bull run it experienced earlier this month, after the setback caused by a dummy share scandal involving market leader, Cukurova Elektrik, and a botched terrorist bomb attack. *Jim Bodgener reports. Page 40*

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Chief price changes yesterday

FRANKFURT (DM)		PARIS (FF)	
Elf	307.2 + 0.5	Elf	193 + 10
Rofer	314.5 + 7	Rofer	2400 + 22.4
Deutsche Bab	714 + 7.7	Rofer/Schnepp	609 + 22.8
Hessing Lloyd	490 + 30	Carrefour	331.5 + 85
France	298 + 8	Castro	154 + 22.2
Dalmeida	828 + 8	Castro	175 + 5
Wolfsberg	577 + 8	Castro	175 + 5
NEW YORK (\$)		TOKYO (Yen)	
Elf	59.4 + 1	Elf	1380 + 200
Rofer	57.4 + 2	Rofer	1650 + 200
Deutsche Bab	57.4 + 2	Rofer	1450 + 200
Hessing Lloyd	57.4 + 2	Rofer	1240 + 140
France	57.4 + 2	Rofer	1030 + 100
Dalmeida	57.4 + 2	Rofer	1030 + 100
Wolfsberg	57.4 + 2	Rofer	1030 + 100
LONDON (Pence)		AMSTERDAM (Guilder)	
Elf	253 + 5	Elf	220 + 55
Rofer	253 + 5	Rofer	157 + 7
Deutsche Bab	253 + 5	Rofer	1076 + 16
Hessing Lloyd	253 + 5	Rofer	311 + 7
France	253 + 5	Rofer	321 + 9
Dalmeida	253 + 5	Rofer	59 + 11
Wolfsberg	253 + 5	Rofer	400 + 18

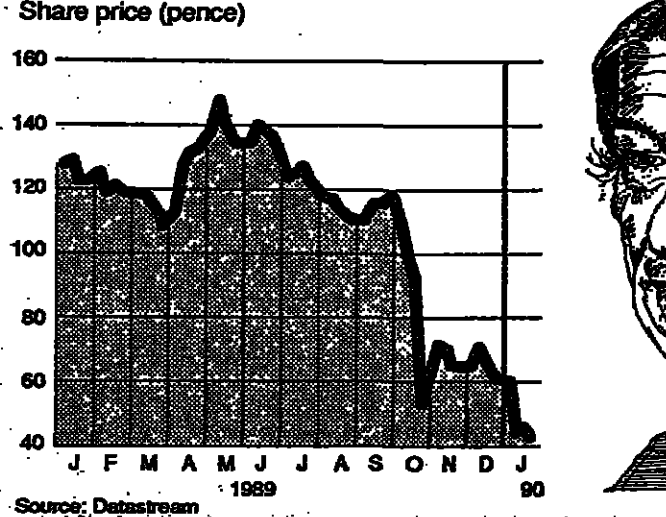
Elf earnings fall after \$600m US writedown

By George Graham in Paris and Steven Butler in London

ELF AQUITAINE, the French state-controlled oil group, said yesterday it would take a \$600m charge on Texasgulf, its US fertiliser subsidiary, dragging net profits last year down to an estimated FF7.2bn (\$1.12bn), less than the FF7.2bn recorded in 1988. Mr Louk Le Floch-Prigent, Elf's newly appointed chairman, said Texasgulf made \$55m last year and was a substantial contributor to the group's cash flow. However, he had decided to write down the value of the assets to take account of new production and price forecasts for Texasgulf's phosphate and soda ash reserves. The charge will reduce the book value of Texasgulf, of which Elf owns 85 per cent, to about \$1.2bn. Elf and Amoco, the US oil company, also announced that they had entered negotiations for the purchase by Elf of Amoco's UK refining and marketing business. Amoco's downstream UK business — which includes a 70 per cent interest in the Milford Haven refinery in Wales and about 250 petrol stations, accounting for some 2 per cent of

the UK petrol market — has been up for sale since September. However, a number of potentially interested buyers, including Kuwait Petroleum and British Petroleum, were understood to have been put off by the price. Analysts say the operation could be worth some \$200m (\$494m). Elf has been expanding its presence rapidly in the UK, particularly in oil exploration and production. It has about 2.3 per cent of the UK retail market for petrol, but lacks refining capacity. Elf's group sales rose 16 per cent to FF14.6bn in 1989 and group increased its gross cash flow in 1989 to FF23.5bn, from FF20bn the year before. Without the write-off on Texasgulf, Elf would have recorded a 39 per cent gain in net profits to around FF10bn. Oil exploration and production activities nearly doubled their net profits, while refining and distribution activities returned to the black. Chemicals earnings remained stable, while the pharmaceutical and beauty product division recorded a 20 per cent gain in operating income. Mr Le Floch-Prigent said Elf had fixed as part of its strategy the goal of internationalising its downstream activities, which are very French in character. He said the Amoco purchase would bring Elf to the level of market penetration necessary to achieve significant economic advantages in the UK and Elf would aim to reach the same sort of share in other European markets. Upstream, Mr Le Floch-Prigent said that Elf was aiming to increase its proven reserves of oil and gas by 25 per cent to about 500m tonnes oil equivalent and to diversify its reserves, now largely in the Gulf of Guinea and in the North Sea. He said the group had acquired 60m tonnes oil equivalent of reserves in Nigeria last year and made promising discoveries in Gabon and Angola, besides finding encouraging exploration zones in Syria. Elf also announced that Sanofi, its pharmaceuticals and beauty products subsidiary, had acquired Continental Flavors and Fragrances, a small US producer of flavourings. *Lex, Page 16*

LIT Holdings



It can be cold when you're naked in the Windy City

Deborah Hargreaves on option trading troubles at LIT

Within weeks of taking over as chief executive of LIT Holdings, the transatlantic futures clearing firm, Mr Christopher Castleman was faced with a \$9m loss by three Chicago traders using an exotic but risky market strategy. The trading loss, which virtually wiped out LIT's profit for the second half of last year, is put down to "gross incompetence" by an overseer at the firm's Chicago options division. Even the brusque Mr Castleman's reputation for toughness is being tested at LIT, where breakneck expansion over the past three years has not been matched by hands-on management. The obscure commodities firm which has grown into one of the world's largest clearing organisations for futures and options is a far cry from Mr Castleman's background as chief executive of Hill Samuel, the merchant bank. He briefly joined Blue Arrow, the troubled recruitment agency, after his resignation from Hill Samuel over the company's decision to pursue merger talks with Union Bank of Switzerland. Mr Castleman moved quickly to grasp the arcane principles behind the writing of "naked put" options which caused the October loss and saw the stock market knock 50p of LIT's 110p share price. Selling naked put options is considered dim even in the high-risk frenzy of Chicago's commodity markets, since it compels traders to buy back stock at a certain price. In LIT's case after the price had fallen considerably lower on the stock market. In fact, LIT said the one thing it had learned from 1987's stock market crash was to stop the traders who reported to it selling naked put options. Mr Castleman now says he will tighten controls to try to ensure that the same thing does not happen again. However, although UK managers have threatened legal action against the person responsible for overseeing options trading in Chicago, he was fired only last Friday. He had been waiting to be sacked for the previous three months, according to one Chicago trader, and is unaware of any litigation. Mr Castleman has tried to tighten up on the management of LIT's futures clearing operations in Chicago, which still account for over 80 per cent of the company's profits. But many Chicago employees consider him a novice to the markets, with only a

superficial grasp of the esoteric futures and options instruments. LIT's heavy reliance on its US futures and options division has left it vulnerable to the often extreme volatility of the derivatives markets. This has scared the few analysts who take an interest in the firm and who are now valuing it at a small premium to net asset value rather than on earnings. LIT is expected to report poor earnings in March and is unlikely to pay a dividend before the end of the year. The firm's stock price has tumbled from a peak of 161p in late 1988 when it acquired Johnson Fry — a corporate finance house best known as a leading sponsor of Business Expansion Schemes — to a current 49p. Even Mr Castleman admits that investors in the company have had a poor experience. "The only way to improve the stock price is with no gimmicks or fancy tricks, but by solid recurring profits — year-on-year — which this company has never had." What LIT needs most is cash to finance the debt and deferred payments — likely to run to \$3m (\$4.8m) for this year — incurred on its breakneck expansion course pursued by Mr Michael Middlemas, its former chairman. Mr Middlemas resigned last year in frustration at being forced to curb his ambitions for the company.

Mr Castleman is now unwinding part of Mr Middlemas's strategy in a group restructuring that has so far involved the sale of the company's 33 per cent stake in the Levitt Group, a personal finance firm which offers advisory services in investment and life assurance. But in selling the holding back to Mr Roger Levitt, the group's founder, LIT received \$1m less than the \$17m it paid him in 1988. With no other big divestments planned — aside from some property sales — Mr Castleman's rationalisation plan is likely to leave the stock market unimpressed. He says he will keep the group's structure under review, but analysts believe he needs to sell off more assets to fund the company's high bank borrowings. It was in a bid to balance the group's dependence on its US divisions that Mr Middlemas embarked on his course of UK acquisitions in 1987. After paying

US hearing officer says Hoylake, not Axa, is main issue

By Nikki Tait in Chicago

ILLINOIS has given a clear signal that Hoylake, the consortium formed by Sir James Goldsmith to bid for BAT Industries, is the biggest impediment to necessary regulatory clearances of the proposed sale of BAT's US insurance subsidiary to Axa-Midi Assurances of France. The state hearing officer, Mr Seymour Simon, described the possibility of Hoylake acquiring BAT but failing to sell on Farmers Group to Axa as "the most important discussion." Mr Simon, a retired state supreme court justice, will make a recommendation to the Illinois insurance department whether the potential transfer should be allowed. Hoylake and Axa need clearances in nine states. Hoylake and Axa have argued that there is a watertight agreement that ensures Farmers will pass speedily into Axa's hands if Hoylake gains control of BAT. This is strongly denied by Farmers' lawyers, who maintain that there could either be a lengthy delay before the transfer or that it could fall through. Mr Simon said that, despite the best efforts of Farmers' lawyers to suggest otherwise, "Axa is going to show a lot of assets — it is not a slouch company." He added later that his mind was not already made up on Axa's suitability. The hearing officer went on to stress that what was going to bother him and the insurance department was the "create of northers" conjured up by Farmers' lawyers — situations whereby the handover did not proceed smoothly. "I'm sure the Illinois insurance department doesn't want to have suits against Hoylake," he remarked. It was also revealed yesterday that Citicorp, the large US bank, and Japan's Sumitomo Bank were among those who approached Axa with potential funding for its \$4.5bn purchase of Farmers. Citicorp's name was given reluctantly by Axa, which alleged that BAT had been threatening not to do business with any bank that became involved in its transaction. In London, BAT said it had important relationships with many banks, out of which they "made good money." It denied strong-arm tactics but confirmed that it would not do future business with anyone who became involved in the Axa/Hoylake transaction. Ironically, both Citicorp and Sumitomo were lead-managers on BAT's \$3.5bn loan facility to fund its purchase of Farmers in 1988.

Deutsche Bank to raise DM1.66bn

By Katharine Campbell in Frankfurt

DEUTSCHE BANK, West Germany's largest commercial bank, is taking advantage of the continued buoyancy of the German stock market to seek DM1.66bn (\$990m) in a one-for-17 rights issue at DM600 per share. The bank's last rights issue was exactly a year ago, when it raised DM1.25bn. Any market impact of yesterday's announcement, which came after the close of the official Frankfurt bourse, was largely offset by the forecast of a DM2 increase in the dividend to DM4 for the 1989 financial year. At the same time, the supervisory board announced the appointment of Mr John Craven, chairman of the recently acquired UK investment bank Morgan Grenfell, to the managing board. Mr Craven is the first non-German director on the Deutsche board, but his precise responsibilities are yet to be defined in the general reshuffle of constituencies in train since the murder of Mr Alfred Herrhausen, chief executive, in November. Meanwhile, Deutsche gave little away as to the likely destination of the new funds, characterising the capital increase only as one that was "forward-looking," and which would give the bank flexibility as future business opportunities arose. Yesterday's dividend forecast, coming at the upper end of the market's expectations, was made on the strength of expected record profits, excluding extraordinary items, for 1989. Partial group operating profits for the first 10 months of 1989, at DM3.18bn, represented a 33 per cent increase on the corresponding period in 1988. While Deutsche shares had slipped DM4 to close at DM812 in the official market session on rights issue rumours, one Frankfurt trader explained how the dividend increase had been sufficient to put around DM5 back on the shares in the latter over-the-counter session. Also voted on to an expanded 13-member managing board was Mr Carl-Ludwig von Boehm-Bezing, director of the Frankfurt branch of Deutsche, as deputy director. Mr Michael Endres, Mr Juergen Krumnow and Mrs Ellen Schneider-Lewne were promoted to full directorships. *Lex, Page 16*

Australian collapse hits Beazer of the UK

By Ray Bashford in London and Chris Sherwell in Sydney

BRAZER, the UK housebuilding and construction company, has made a £29m (\$49m) provision against its investment in an Australian developer and contractor which collapsed yesterday with debts of A\$500m (\$385m). Girvan Corporation, based in Sydney, went into receivership following the failure of a last-ditch attempt to restructure the group and reduce its exposure to the depressed Australian construction and property development market. The Commonwealth Bank of Australia and the State Bank of New South Wales are two of Girvan's principal creditors. The company gained a listing a month before the October 1987 stock market crash and, with the shares at a peak of 125 cents around the time of the flotation, was valued at A\$440m. The shares were selling last week at 4 cents. The Australian group's ability to survive was the subject of months of speculation as the property market turned down in response to high domestic interest rates. Property companies, including Hooker Corporation and Chase Corporation, have been among the main victims of the corporate malaise which has also claimed the Qintex media and resorts empire and the Linter textiles group. Beazer acquired the 14.5 per cent holding in Girvan in early 1988, as a preparatory move to an increased involvement in the Australian market. The £29m provision — which will be included as an extraordinary item in Beazer's interim results to be announced in mid-March — will cover the full cost of the investment as well as associated costs. In a statement to the Sydney Stock Exchange, Girvan said a meeting of its principal bankers and a leading shareholder — believed to be Mr Paul Peterson, who has slightly over 50 per cent of the capital — reviewed various proposals to restructure the company. "The participants were unable to reach agreement on any such proposal," the statement said. As a result, the board decided that the group should cease to trade and that Commonwealth Bank, as the main lender, should appoint a receiver to those companies for which it holds security. *Lex, Page 16*

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INTERNATIONAL COMPANIES AND FINANCE

French national power company FFr4bn in red

By George Graham in Paris

ELECTRICITE de France (EDF) the French national power company, lost FFr4bn (\$700m) last year, its second successive year of losses and the sixth time in a decade that it has been in the red.

Mr Pierre Delaporte, chairman, described the year as "catastrophic" and complained the French Government was refusing to allow his company to charge adequate tariffs and was preventing it from budgeting properly.

EDF performed well outside France making around FFr600m of profits from exports of electricity, principally to the UK, Switzerland and Italy, and also made a capital gain of around FFr1.1bn on the sale of a property in the heart of Paris.

On the other hand, warm weather reduced income by about FFr1.2bn from budget, while last summer's exceptional drought cost a further FFr3.1bn, since EDF was unable to run its hydro-electric power stations and lacked water to cool its nuclear reactors, forcing it to use its more expensive coal and fuel oil gen-

erators. Mr Delaporte complained the Government had only allowed EDF to raise its tariffs by too little, too late.

He added that EDF's repeated losses merely fuelled the complaints of the European Commission in Brussels, which suspected his company of subsidising major industrial power contracts such as its supply agreement with Pechiney for a new aluminium smelter at Dunkirk.

"We lose money one year in two, and a company which loses money one year in two can only be suspect in the eyes of Brussels. The problem is an error in the thought processes of our shareholders, who want us to aim only for break-even and for whom the idea of a public service consistently making profits is indecent," Mr Delaporte said.

Mr Delaporte added that he was not a proponent of out and out liberalisation: the example of the UK was not exactly encouraging.

The UK was EDF's largest customer last year, buying 13bn kWh of electricity, the same as in 1988.

La Cinq TV deal set to lift role of Berlusconi

By George Graham

THE TWO main shareholders in La Cinq, France's fifth television channel, have reached a deal which is expected to lead to an increased role in the management of the station for Mr Silvio Berlusconi, the Italian television magnate.

Mr Berlusconi and Mr Robert Hersant, the French president of the station, signed an agreement on Monday, putting an end to the legal dispute between them over the control of the station.

Mr Jerome Seydoux, chairman of Chargeurs, the financial conglomerate which was Mr Berlusconi's ally in the battle against Mr Hersant, refused to sign the deal, judging it "unbalanced".

The court case between them, disputing the control of La Cinq's shares, will therefore continue. It is unlikely to have much effect on the television station's control, however, since Mr Hersant and Mr Berlusconi each own 25 per cent of the capital.

Under the deal reached this week La Cinq will have two managing directors: Mr Yves de Chaisemartin, chief executive of the Hersant group, and Mr Angelo Codignoni, the Berlusconi group's representative in France.

The deal is also understood to involve a reorganisation of the loss-making television station's advertising and programming functions, giving an increased role to Mr Berlusconi's organisation.

La Cinq, created in 1985, was originally run as a joint venture by Mr Seydoux and Mr Berlusconi. They were stripped of their concession when the French government changed in 1986, but joined a consortium led by Mr Hersant to bid for a new concession.

Mr Hersant has been in charge of La Cinq since 1987, but his management has been increasingly criticised by Mr Berlusconi. Mr Seydoux owns 7.34 per cent, and Mr Jean-Marc Vernes, an ally of Mr Hersant, owns 10.39 per cent.

Other shareholders have been keen to sell out of the television station, which has lost a total of FFr2.2bn in the last three years.

Unusually emotional bankers return home

Haig Simonian on celebrations as Dresdner Bank moves back to East Germany

Today, two Lufthansa charter jets carrying the cream of West Germany's financial journalists will touch down at Dresden airport in East Germany.

The landing follows the arrival yesterday of a special train carrying the entire board of Dresdner Bank, West Germany's second biggest financial institution, which held its regular board meeting on the move to help occupy its time during the nine-hour journey.

Both sets of visitors are part of an unprecedented celebration on the part of the city and the bank of the same name to mark the latter's return to its "home town" after decades away.

While Dresdner Bank's manner of marking the occasion is unusually emotional - today's guests will include the bosses of all its regional head offices, as well as one junior member of staff from every main branch - it is by no means alone among German financial institutions. For where West Germany's businessmen venture, their bankers tend not to be far behind.

The rocketing interest in co-operation between companies on the two sides of the East-West German divide after last year's elections is already having repercussions in West German banking. So far, the banks have reacted in two ways to the opportunities which have suddenly presented themselves.

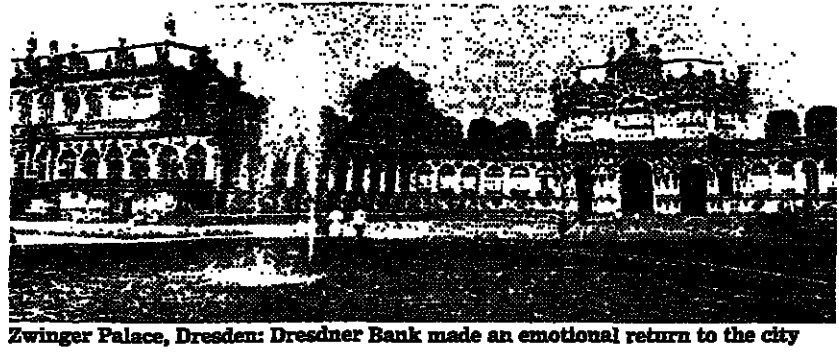
Most have announced plans for new operations in East Germany, ranging from ambitious schemes to set up branch networks catering for all 16.5m East Germans to more modest proposals for small representative offices in East Berlin. Financing the growing two-way trade and the joint ventures in the offing - the banks' second obvious focus of interest - has been a much slower process.

While announcements have flowed thick and fast in recent weeks about the new offices being established in the east, none of the banks has as yet been particularly effusive on what they intend to do there.

The vagueness is understandable given the continuing uncertainty among German industrialists as to the speed and scope of political liberalisation in the east. There is little doubt that West German banks expect to get the lion's share of any business generated. The West German banks have just closed a record year, bolstered partly by strong credit demand as a result of the booming domestic economy. Many still have plenty of money to lend, and most are looking to the east for untapped potential.

Some banks have already gone out of their way to try and smooth their passage into East Germany.

No one has suggested that the speed with which Dresdner Bank opened its new Dresden office was directly related to its decision to set up a DM20m cultural fund for the city, but the coinci-



Zwinger Palace, Dresden: Dresdner Bank made an emotional return to the city

So far, Dresdner Bank appears to have got a neck ahead of its rivals in the race to set up shop in the east.

Sending three executives to its new Dresden office is justified by the need to facilitate the "new economic orientation" of the DDR through a transfer of capital, technology and management skills from the west," it says.

"The office has had to deal with a flood of enquiries from all corners of East and West Germany," Dresdner Bank said in its first appraisal just nine days after the new bureau was opened. The bank is also offering East German companies looking for western partners a year's free access to its international business database.

Although East Germany is the obvious focus for the banks' new activities, it is by no means their only area of interest in Eastern Europe.

Even before the collapse of the Honecker regime, Deutsche Bank had announced it was setting up representative offices in Budapest and Warsaw. The bank already clears about 18 per cent of the value of two-way trade in goods and services between West Germany and Poland, it says.

Moreover, the allure of eastern Europe for the financial sector is not limited to the banks. In mid-December Allianz, Europe's biggest insurance company, bought a 49 per cent stake in Hungaria Biztosito, one of Hungary's two leading insurers, for an undisclosed sum.

Bouygues rises 10% to FFr570m net

By Our Financial Staff

BOUYGUES, the dominant French construction group, lifted attributable net profits 9.8 per cent last year to a provisional FFr570m (\$100m).

Revenues rose 14.9 per cent to FFr4.7bn, of which 22 per cent was derived from operations abroad. This share is expected to rise further to 24 per cent in the current year.

The outcome excludes any contribution from partially owned offshoots Mahinvest, Saur, and the television channel TF1 - these were originally included in the accounts for 1989, which have now been restated. The move to full control at Saur resulted in a FFr46m writedown on goodwill, the same as the previous

year.

For 1990 Grandis Moulins, a flour milling unit acquired towards the end of last year, is expected to assist a nearly two-thirds jump in sales outside its mainstream activities. If these reach the forecast FFr0.8bn, up from FFr0.6bn, they will overtake property revenues, which are not expected to improve on the 1989 level of FFr 7.2bn.

In spite of the moves to diversify construction, remains by far the largest sector. Turnover there was FFr33.7bn last year and is projected to rise to FFr35.9bn this year.

A FFr5 per share initial dividend payment is being made next month.

Petrochemical slowdown holds Petrofina to 8%

By Tim Dickson in Brussels

PETROFINA, the Belgian oil and petrochemical concern, announced last night its share of group consolidated profits rose 8 per cent last year to an "estimated" FFr21.8bn (\$62m).

A statement ascribed the improvement to "better results in the petroleum sector, which largely compensated for the slowdown in petrochemicals".

The group, Belgium's biggest industrial company, revealed a 32 per cent jump in gas production to 5.7bn cubic metres and a 4 per cent rise in crude oil production to 5.9m tonnes.

Downstream sector margins increased in comparison with 1988, reflecting a complete replacement in a major shake-up that left Mr R.V. Strobos, in charge.

Heineken blames planned job cuts on flat sales

By Laura Raun in Amsterdam

HEINEKEN, the Dutch brewery, plans to scrap 700 of its 4,000 jobs in the Netherlands by 1993 because of flat sales, changing tastes and competition.

The job cuts will affect all departments except those directly concerned with product marketing and sales of beer, the company said yesterday. Last October Heineken announced plans to spin off its computer department to Electronic Data Systems of Spijkensse near Rotterdam in a cost-cutting move.

Heineken, which is the third largest brewer in the world, expects many of the planned cuts to continue into the 1990s. Health-conscious drinkers are consuming less

beer and fickle ones are turning to other brands, while the adventurous are demanding new products, such as light and dry beer.

In the Netherlands, which accounts for about one-quarter of total sales, Heineken's overwhelming market share of 68 per cent in 1989 has plunged to about 52 per cent. In the US, which imports its beer from the Netherlands, Heineken's market share has slowly shrunk in the face of heavy competition from other foreign beers and a weak dollar.

Last year the top management of Heineken Nederland, the Dutch unit, was completely replaced in a major shake-up that left Mr R.V. Strobos, in charge.

SAINT-GOBAIN

SAINT GOBAIN IN 1989

ANOTHER YEAR OF GROWTH

The Group profited in 1989 from a favourable environment in almost all of its activities. It was therefore able, at the same time to increase profits, to raise investment to a record level and to develop by external growth.

Based on present estimates presented to the Board of Directors held on January 18, 1990, the key consolidated figures are as follows:

In millions of French Francs	1989 Estimated	1988	1987 Restated
Sales	66 000	58 875	54 602
Operating Income	8 800	8 026	7 287
Income before tax and profit from the sale of non-current assets	7 300	6 465	5 335
Net income from consolidated subsidiaries	5 000	5 061	3 489
Net income	4 300	4 044	2 523
Net income, excluding profit from the sale of non-current assets	3 600	3 077	2 129
Resources from operations (cash flow)	8 200	7 105	6 207
Capital expenditure on plant and equipment	6 200	5 367	3 530
Total investment outlay	4 300	7 145	2 005

Sales increased by 12% and on a comparable basis by 9%. The Group has consolidated companies acquired recently, in particular Vetri (bottles, Italy), Stettner, TSL and Nuova Sima (Industrial ceramics, Germany, Great Britain and Italy), Euroacoustic and Glasulid (insulation, France and Denmark), and SISA (cardboard packaging, Italy).

These sales are split: France internal market 30%, exports from France 12%, other European Countries 37%, the Americas 21%. Operating income has increased by 10%. It is stated after the depreciation charge (MFF 3 700) which has increased by 20% following the major capital expenditure programmes in recent years and a charge for provisions (MFF 900)

Income before tax and profit from the sale of non-current assets has increased by 13%. It is stated after interest expense (MFF 1 200) and non-operating costs (MFF 500) close to those of last year.

Profits from the sale of non-current assets have dropped sharply (MFF 600 against MFF 1 114 in 1988). The income tax charge (MFF 2 800) has increased by 13%.

Net income, after deduction of minority interests in Group subsidiaries, has increased by 6% and, excluding capital gains by 17%. Earnings per share based on the number of shares issued at December 31, 1989 (62 056 010 shares) are FF 69.3 against FF 70.4 for 1988. Excluding capital gains they are FF 58 per share against FF 53.8 in 1988.

Capital expenditure on plant and equipment increased by 16% over 1988. It demonstrates the continuous and considerable effort of construction and renewal of plants which the Group has successfully undertaken. The expenditure is largely covered by cash flow, which has increased by 15%.

In addition there are significant acquisitions of companies which have partly contributed to the growth of the Group. The financing of the acquisitions has been made with a limited increase in net indebtedness. Net indebtedness is some FF 9 800 million against FF 8 685 million at December 31, 1988 which ensures that it is kept to a satisfactory level in comparison with total net equity which is now above FF 30 000 Million.

A review of performance by geographical area shows a further increase in the contribution to net income realised by the French companies in the Group which now account for 44%, a percentage close to their contribution to sales. Other European countries contribute 36% and the Americas 20%.

All the industrial divisions have made positive contributions to net income. The Container, Insulation, Fibre Reinforcement and Industrial Ceramics divisions have again improved their performances. The Flat Glass and Pipe Divisions have maintained them at high levels. The Paper-Wood division has confirmed its return to a satisfactory level. Only the Building Materials division, due to the importance of its sales in North and South America, has a slight decline in profits compared with the previous year.

The progression of results in 1989, their better distribution by activity and by country, reflect the strengthening of the positions of Saint-Gobain. The forecasts made for 1990 confirm the benefit of the decisions taken in recent years and the development prospects of the Group.

Compagnie de Saint Gobain
Investor Relations Department

Lease Plan expects big expansion

By Andrew Baxter

LEASE Plan Holding, the Dutch company which claims leadership of the highly-competitive European contract car hire, fleet management and leasing market, plans a big expansion over the next five years to take advantage of the opportunities offered by the 1992 single market reforms.

Dr Anton Goudsmit, managing board chairman, said he would be surprised if the company did not double in size over the next five years. Lease Plan, majority owned by the Bank Mees & Hope and Algemene Bank Nederland, already runs more than 100,000 cars and trucks in 15 countries, and had assets of F12.77bn (\$1.46bn) at the end of last June.

Lease Plan claims to be the only leasing company to have a European network already in place, which the company believes will be essential after the 1992 reforms.

"Commercially it is not feasible to work from one country. The key thing is to have a strong presence in every EC country," Dr Goudsmit said.

This is partly because, in a business where fiscal policies play a significant role, there will still be immense differences between individual EC countries after 1992. These variations will fade away, but only gradually, said Dr Goudsmit.

There are also significant differences in national characteristics. Whereas the UK and Netherlands markets have reached a high level of maturity, and are not expected to continue growing at recent annual rates of 20 per cent, other markets, such as Germany, France, Spain and Italy are considered "virgin territory" for Lease Plan.

In Germany, for example, the strong ownership mentality, coupled with the dominance of purely financial leasing, offered by banks and vehicle manufacturers, has prevented the full development of contract hire and fleet management with its service-based approach.

However, multinational customers with a presence in these countries have wanted these services, explaining why Lease Plan

NMB POSTBANK EXPANDS CAR HIRE

By Andrew Baxter

NMB Postbank of the Netherlands has bought Leasing Principals, the vehicle leasing subsidiary of Rockwood Holdings, the UK transport group, as part of foreign expansion plans, writes Laura Raun in Amsterdam.

Leasing Principals has a fleet of 3,000 vans and will complement NMB Lease, the bank's UK leasing and financing subsidiary set up last October. NMB Postbank, the result of the recent merger of NMB and the Postbank, refused to disclose the purchase price.

NMB Lease is the biggest leasing company in the Netherlands and provides passenger cars, trucks and aircraft. Leasing Principals will be managed by CW Lease, the NMB Lease subsidiary, which was founded in 1977, is the second largest vehicle leasing company in the Benelux after Lease Plan Holding and has 25,000 cars.

NMB Postbank, which is aiming to expand in France and Germany as well, is the second Dutch bank to buy a foreign leasing company this month. Amsterdam-Rotterdam Bank acquired Frankfurt Erdetbank, a leasing company in Germany.

has been active internationally since soon after it began contract hire about 20 years ago.

The company attributes its growth largely to the success of its so-called Open Calculation System for operating leasing. This aims to combine the contract hire approach - leasing vehicles at a fixed annual rent, including whatever services the client wishes - with fleet management, where the costs of running a fleet are controlled and managed.

The OCS system works by explaining all the costs to the client at the start of the lease term, and then comparing these with the actual cost at the end of the term. If

the actual costs are lower, or if the car yields more than expected when sold second-hand, the "rent" is put into a pot along with any profit or loss from the client's other terminated leases.

At the end of each year the client's total profit or loss is calculated and any profit returned to the client. Any losses are absorbed by Lease Plan.

Last year the company refunded F18m to clients, including 140,000 on the 2,000 cars it leases in the UK. Although the disadvantage of the system is the obvious reduction in profit margins, Mr Norman Donkin, managing director of Lease Plan UK, said: "It gives us our USP (unique selling point) and we have tremendous customer loyalty."

Despite the current differences between individual markets, Dr Goudsmit said "the best product will win in Europe because the borders are fading away."

With OCS as its spearhead, the company wants to expand worldwide, and sees the development of fleet management in Germany and France as the likely major priority in the next few years. It has yet to open in Italy, and sees "tremendous opportunities" in Spain.

Until last February, Lease Plan had been owned by a small group of banks and institutions, including the Royal Dutch/Shell pension fund, each of which had stakes of about 20 per cent. This gave Lease Plan the flexibility to experiment with OCS without coming under pressure from individual shareholders who were not about their investment, said Dr Goudsmit.

To support its current expansion plans, Lease Plan wanted a simpler ownership structure with one or two banks giving fuller commitment to the company. It had hoped that Credit Lyonnais, one of the original shareholders, would increase its stake but the French bank sold out when it was unable to take full control. Eventually, it is likely that Lease Plan will be owned fully by ABN, Dr Goudsmit indicated.

This announcement appears as a matter of record only.

NEW ISSUE

30th January, 1990



CHUBU ELECTRIC POWER COMPANY, INCORPORATED

U.S.\$270,000,000 9 per cent. Bonds 1997

ISSUE PRICE 101 1/4 PER CENT.

Nomura International

IBJ International Limited

Mitsui Finance International Limited

BNP Capital Markets Limited

Credit Suisse First Boston Limited

Daiwa Europe Limited

Deutsche Bank Capital Markets Limited

Merrill Lynch International Limited

J.P. Morgan Securities Ltd.

Morgan Stanley International

Paribas Capital Markets Group

Salomon Brothers International Limited

UBS Phillips & Drew Securities Limited

NMB BANK

Nederlandsche Middenstandsbank nv

U.S. \$100,000,000
Floating Rate Notes Due 1992

In accordance with the provisions of the Notes, notice is hereby given that, for the six month period 31st January, 1990 to 31st July, 1990, the Notes will bear interest at the rate of 8 1/2% per annum. Coupon No. 10 will therefore be payable on 31st July, 1990, at the rate of US\$10.919.70 from Notes of US\$250,000 nominal and US\$436.79 from Notes of US\$10,000 nominal.

S.G. Warburg & Co. Ltd.
Agent Bank

U.S. \$100,000,000 FIDELITY FEDERAL SAVINGS AND LOAN ASSOCIATION

Collateralized Floating Rate Notes Due 1992

Interest Rate 8 1/2% per annum
Interest Period 31st January 1990 to 30th April 1990
Interest Amount per U.S. \$100,000 Note due 30th April 1990 U.S. \$2,101.39

Credit Suisse First Boston Limited
Agent Bank

U.S. \$300,000,000

Woodside Financial Services Ltd.

(Incorporated in the State of Victoria)

Guaranteed Floating Rate Notes due July 1997

Unconditionally Guaranteed by Australian Industry Development Corporation

In accordance with the terms and conditions of the Notes, notice is hereby given that for the interest period from January 31, 1990 to April 30, 1990 the Notes will carry an Interest Rate of 8 1/2% per annum. The amount payable on April 30, 1990 will be U.S. \$5,178.22 and U.S. \$207.05 respectively for Notes in denominations of U.S. \$250,000 and U.S. \$10,000.

By: The Chase Manhattan Bank, N.A.
London, Agent Bank



January 31, 1990

U.S. \$150,000,000 CHASE MANHATTAN OVERSEAS BANKING CORPORATION

FLOATING RATE NOTES DUE 1993

For the six months 31st January, 1990 to 31st July, 1990
In accordance with the provisions of the Notes, notice is hereby given that the rate of interest has been fixed at 8 1/2% per cent and that the interest payable on the relevant interest payment date, 31st July, 1990 against Coupon No. 24 will be U.S.\$43.05.

Agent Bank: Morgan Guaranty Trust Company of New York, London

US\$250,000,000 GUARANTEED FLOATING RATE SUBORDINATED CAPITAL NOTES DUE JANUARY 1997

CITICORP BANKING CORPORATION

(Incorporated in the State of Delaware)

Unconditionally guaranteed on a subordinated basis by CITICORP

Notice is hereby given that the Rate of Interest has been fixed at 8.5% and that the interest payable on the relevant Interest Payment Date April 30, 1990 against Coupon No. 21 in respect of US\$10,000 nominal of the Notes will be US\$210.14.

January 31, 1990, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank



US\$400,000,000 GUARANTEED FLOATING RATE SUBORDINATED CAPITAL NOTES DUE OCTOBER 1996

CITICORP BANKING CORPORATION

(Incorporated in the State of Delaware)

Unconditionally guaranteed on a subordinated basis by CITICORP

Notice is hereby given that the Rate of Interest has been fixed at 8.5% and that the interest payable on the relevant Interest Payment Date April 30, 1990 against Coupon No. 22 in respect of US\$10,000 nominal of the Notes will be US\$210.14.

January 31, 1990, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank



U.S. \$350,000,000 Subordinated Floating Rate Notes Due November 27, 2035

Notice is hereby given that the Rate of Interest has been fixed at 8.4125% in respect of the Original Notes and 8.5% in respect of the Enhancement Notes, and that the interest payable on the relevant Interest Payment Date February 28, 1990 against Coupon No. 52 in respect of US\$10,000 nominal of the Notes will be US\$65.43 in respect of the Original Notes and US\$66.11 in respect of the Enhancement Notes.

January 31, 1990, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank



U.S. \$500,000,000 Subordinated Floating Rate Notes Due January 30, 1998

Notice is hereby given that the Rate of Interest has been fixed at 8.3875% and that the interest payable on the relevant Interest Payment Date February 28, 1990 against Coupon No. 49 in respect of US\$10,000 nominal of the Notes will be US\$65.24.

January 31, 1990, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank



INTERNATIONAL CAPITAL MARKETS

Moody's downgrades top Australian banks' debt

By Chris Sherwell in Sydney

MOODY'S Investors Service yesterday downgraded its assessments of Westpac Banking and the National Australia Bank (NAB), two of Australia's big four commercial banks. The action follows a review of the banks' long-term debt ratings and lifts their foreign borrowing costs. Moody's began the review in November amid concern about worsening domestic asset quality caused by high interest rates and a possible economic downturn. The agency had previously lowered its rating by one notch from Aa1 to Aa2 - on US\$3.2bn of debt issued by the Federal Government and its agencies. This was mainly because of the country's heavy burden of external debt and the slow pace of government adjustment policies. That change, made in August, also affected Westpac and the NAB, making yesterday's downgrade the second in five months, affecting US\$2.2bn of Westpac debt and US\$1.2bn of NAB debt.

For Westpac, Moody's rating for long-term deposits was lowered to Aa3 from Aa2, for subordinated debt to A1 from Aa3, and for non-cumulative preferred stock to "a2" from "a1". For NAB, the agency's ratings were similarly lowered: for long-term deposits to Aa3 from Aa2, for senior debt to Aa3 from Aa2, and for subordinated debt to A1 from Aa3. Australia's other two principal commercial banks were not directly affected by the decision. The Commonwealth Bank, being federal government-owned, enjoys federal government ratings, while the ANZ Banking group is not rated by Moody's. Moody's said that Westpac had sharply increased its domestic lending business in the past few years and it believed that asset quality problems would arise from the bank's portfolio in this area. It pointed in particular to involvement in commercial real estate, currently facing a slowdown.

The agency cited similar problems for the NAB, but pointed to two other developments: ● This month's acquisition of Yorkshire Bank in the UK. The purchase price of £976.5m constituted a significant amount of goodwill, thereby reducing the bank's adjusted net worth, Moody's said. ● The NAB's exposure to the operating companies of the troubled Boral group. Although the bank's "sound documentation" meant this should not result in a material loss, Moody's said it "did not rule out the possibility that some of NAB's Bond exposure could be classified as non-performing in the future." It added that NAB's recovery rate would be high. Both banks regard the downgrading as an inevitable consequence of the Australian economy's condition rather than their own, and point out that the new ratings remain high among the 19-odd gradings given by Moody's.

Mexico to restart debt/equity auctions

By Stephen Fidler, Euromarkets Correspondent

THE Mexican Government will restart its auctions for debt-to-equity swaps over the next two to three months, Mr Pedro Aspe, the country's Finance Minister, said yesterday. The auctions are provided for in the country's new debt accord with commercial banks, under which it agreed to exchange foreign bank loans of \$3.5bn into rights to invest in equity in Mexican companies over a three-and-a-half year period. Under the agreement, such swaps have been limited to privatisation issues and specified infrastructure financing. Mexico suspended a previous round of debt-equity auctions in the middle of 1988, although it has since allowed some swaps - equivalent to about \$2.5bn in face value of bank debt - held up since then to take place. The final signing of the bank accord begins on Sunday in Mexico City. Mr Aspe said in London that he wanted the auction to take place "as soon as possible," in the next two to three months. The Government is expected to be flexible about the amounts to be offered. Mr Aspe said it was envisaged that an auction for the swap rights would take place first, followed by auctions for companies that the Government plans to sell, such as Cananea, the state copper concern. The assets will be denominated in US dollars, he said. The Government held out strongly against a broad agreement on debt equity swaps, believing that they encourage either monetary expansion - because local currency is created, or higher interest rates if government paper is issued to offset the monetary expansion. Mr Aspe said that, among other things, such swaps were detrimental to investment, encouraging would-be foreign investors to wait until the next debt-equity swap auction to buy local currency for investment at subsidised rates.

Ecu bond market 'not illiquid'

By Martin Dickson

THE ECU bond market's reputation for illiquidity may be exaggerated according to a survey of leading institutional investors by Swiss Bank Corporation. The survey found that about 70 per cent of the investors asked were involved in the market. Some 63 per cent of active investors said they generally held all or some of their positions at least beyond 12 months. The survey said this supported the idea that Ecu bonds were held longer than in other currencies, perhaps adding to the perception of illiquidity. However, some 68 per cent of

the active group said they switched or planned to switch between different Ecu bonds in the secondary market or between new issues and secondary bonds. Swiss Bank said this suggested that "liquidity might not be as big a problem as perceived." And about 50 per cent of those surveyed said they switched or planned to do so between Ecu bonds and some of the components, such as German bunds or French OATs, on a regular basis. A slight majority felt there was no useful benchmark in the market, although around 38 per cent felt the French Ecu

OAT was becoming one. Only 50 per cent of active investors thought that Britain's Treasury bill programme denominated in Ecu had been helpful in promoting the bond market. Among those not active, about 55 per cent mentioned the perceived lack of liquidity and nearly 75 per cent said they would consider investing if liquidity could be improved. Nearly 90 per cent of active investors welcomed the news that the Matif exchange in Paris was planning to introduce an Ecu futures contract this year based on the French Government's Ecu OAT 1997 issue.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Day	Week	Yield
Alberta 8 1/2%	750	97 1/4	97 3/4	-0 1/4	-1 1/4	9.17
Algeria 8 1/2%	100	100 1/4	100 1/2	-0 1/4	-0 1/4	8.28
Australia 9 1/2%	140	101 1/4	101 1/2	-0 1/4	-0 1/4	9.08
B.F.C.E. 8 1/2%	175	97 1/4	97 3/4	-0 1/4	-1 1/4	9.12
B.F.C.E. 9 1/2%	150	100 1/4	100 1/2	-0 1/4	-0 1/4	9.12
Brit. Tel. Fin. 9 1/2%	250	100 1/4	100 1/2	-0 1/4	-1 1/4	9.32
Canada 9 1/2%	1000	100 1/4	100 1/2	-0 1/4	-0 1/4	8.23
C.C.C.F. 9 1/2%	300	100 1/4	100 1/2	-0 1/4	-0 1/4	8.23
C.N.C.A. 9 1/2%	150	100 1/4	100 1/2	-0 1/4	-0 1/4	8.23
Credit National 8 1/2%	200	97 1/4	97 3/4	-0 1/4	-0 1/4	9.11
Credit National 9 1/2%	100	100 1/4	100 1/2	-0 1/4	-0 1/4	9.11
Credit National 10 1/2%	160	100 1/4	100 1/2	-0 1/4	-0 1/4	9.13
Danish 8 1/2%	100	99 1/4	99 3/4	-0 1/4	-0 1/4	8.23
Denmark 8 1/2%	120	99 1/4	99 3/4	-0 1/4	-0 1/4	8.23
E.C.C. 7 1/2%	100	96 1/4	96 3/4	-0 1/4	-0 1/4	8.21
E.C.C. 10 1/2%	140	101 1/4	101 1/2	-0 1/4	-0 1/4	9.13
E.I.B. 8 1/2%	130	94 1/4	94 3/4	-0 1/4	-1 1/4	9.29
European 10 1/2%	100	102 1/4	102 1/2	-0 1/4	-0 1/4	9.15
France 7 1/2%	200	97 1/4	97 3/4	-0 1/4	-0 1/4	8.23
France 9 1/2%	200	100 1/4	100 1/2	-0 1/4	-1 1/4	9.32
Finland 9 1/2%	250	99 1/4	99 3/4	-0 1/4	-1 1/4	9.14
Fin. Exp. Co. 9 1/2%	200	100 1/4	100 1/2	-0 1/4	-1 1/4	9.21
Ford Motor Credit 8 1/2%	200	98 1/4	98 3/4	-0 1/4	-0 1/4	9.16
Gen. Elec. Corp. 9 1/2%	500	99 1/4	99 3/4	-0 1/4	-0 1/4	9.16
Gen. Elec. Corp. 10 1/2%	500	101 1/4	101 1/2	-0 1/4	-0 1/4	9.34
G.M.A.C. 8 1/2%	300	97 1/4	97 3/4	-0 1/4	-0 1/4	8.23
G.M.A.C. 9 1/2%	300	97 1/4	97 3/4	-0 1/4	-0 1/4	8.23
Gen. Motors Corp. 9 1/2%	200	99 1/4	99 3/4	-0 1/4	-0 1/4	9.17
IBM Credit Corp. 8 1/2%	400	99 1/4	99 3/4	-0 1/4	-0 1/4	9.21
IBM Credit Corp. 9 1/2%	400	99 1/4	99 3/4	-0 1/4	-0 1/4	9.21
IBM Credit Corp. 10 1/2%	250	99 1/4	99 3/4	-0 1/4	-0 1/4	9.25
IBM Credit Corp. 9 1/2%	250	100 1/4	100 1/2	-0 1/4	-0 1/4	9.25
Italy 9 1/2%	1000	101 1/4	101 1/2	-0 1/4	-1 1/4	9.11
Italy 10 1/2%	1000	103 1/4	103 1/2	-0 1/4	-1 1/4	9.25
Japan Dev. Bank 10 1/2%	200	103 1/4	103 1/2	-0 1/4	-1 1/4	9.27
Japan Dev. Bank 9 1/2%	200	102 1/4	102 1/2	-0 1/4	-1 1/4	9.27
Japan Dev. Bank 8 1/2%	200	99 1/4	99 3/4	-0 1/4	-1 1/4	9.27
Japan Dev. Bank 7 1/2%	200	96 1/4	96 3/4	-0 1/4	-1 1/4	9.27
Japan Dev. Bank 6 1/2%	200	93 1/4	93 3/4	-0 1/4	-1 1/4	9.27
Japan Dev. Bank 5 1/2%	200	90 1/4	90 3/4	-0 1/4	-1 1/4	9.27
Japan Dev. Bank 4 1/2%	200	87 1/4	87 3/4	-0 1/4	-1 1/4	9.27
Japan Dev. Bank 3 1/2%	200	84 1/4	84 3/4	-0 1/4	-1 1/4	9.27
Japan Dev. Bank 2 1/2%	200	81 1/4	81 3/4	-0 1/4	-1 1/4	9.27
Japan Dev. Bank 1 1/2%	200	78 1/4	78 3/4	-0 1/4	-1 1/4	9.27
Japan Dev. Bank 1/2%	200	75 1/4	75 3/4	-0 1/4	-1 1/4	9.27
Japan Dev. Bank 1/4%	200	72 1/4	72 3/4	-0 1/4	-1 1/4	9.27
Japan Dev. Bank 1/8%	200	69 1/4	69 3/4	-0 1/4	-1 1/4	9.27
Japan Dev. Bank 1/16%	200	66 1/4	66 3/4	-0 1/4	-1 1/4	9.27
Japan Dev. Bank 1/32%	200	63 1/4	63 3/4	-0 1/4	-1 1/4	9.27
Japan Dev. Bank 1/64%	200	60 1/4	60 3/4	-0 1/4	-1 1/4	9.27
Japan Dev. Bank 1/128%	200	57 1/4	57 3/4	-0 1/4	-1 1/4	9.27
Japan Dev. Bank 1/256%	200	54 1/4	54 3/4	-0 1/4	-1 1/4	9.27
Japan Dev. Bank 1/512%	200	51 1/4	51 3/4	-0 1/4	-1 1/4	9.27
Japan Dev. Bank 1/1024%	200	48 1/4	48 3/4	-0 1/4	-1 1/4	9.27
Japan Dev. Bank 1/2048%	200	45 1/4	45 3/4	-0 1/4	-1 1/4	9.27
Japan Dev. Bank 1/4096%	200	42 1/4	42 3/4	-0 1/4	-1 1/4	9.27
Japan Dev. Bank 1/8192%	200	39 1/4	39 3/4	-0 1/4	-1 1/4	9.27
Japan Dev. Bank 1/16384%	200	36 1/4	36 3/4	-0 1/4	-1 1/4	9.27
Japan Dev. Bank 1/32768%	200	33 1/4	33 3/4	-0 1/4	-1 1/4	9.27
Japan Dev. Bank 1/65536%	200	30 1/4	30 3/4	-0 1/4	-1 1/4	9.27
Japan Dev. Bank 1/131072%	200	27 1/4	27 3/4	-0 1/4	-1 1/4	9.27
Japan Dev. Bank 1/262144%	200	24 1/4	24 3/4	-0 1/4	-1 1/4	9.27
Japan Dev. Bank 1/524288%	200	21 1/4	21 3/4	-0 1/4	-1 1/4	9.27
Japan Dev. Bank 1/1048576%	200	18 1/4	18 3/4	-0 1/4	-1 1/4	9.27
Japan Dev. Bank 1/2097152%	200	15 1/4	15 3/4	-0 1/4	-1 1/4	9.27
Japan Dev. Bank 1/4194304%	200	12 1/4	12 3/4	-0 1/4	-1 1/4	9.27
Japan Dev. Bank 1/8388608%	200	9 1/4	9 3/4	-0 1/4	-1 1/4	9.27
Japan Dev. Bank 1/16777216%	200	6 1/4	6 3/4	-0 1/4	-1 1/4	9.27
Japan Dev. Bank 1/33554432%	200	3 1/4	3 3/4	-0 1/4	-1 1/4	9.27
Japan Dev. Bank 1/67108864%	200	0 1/4	0 3/4	-0 1/4	-1 1/4	9.27
Japan Dev. Bank 1/134217728%	200	-3 1/4	-3 3/4	-0 1/4	-1 1/4	9.27
Japan Dev. Bank 1/268435456%	200	-6 1/4	-6 3/4	-0 1/4	-1 1/4	9.27
Japan Dev. Bank 1/536870912%	200	-9 1/4	-9 3/4	-0 1/4	-1 1/4	9.27
Japan Dev. Bank 1/1073741824%	200	-12 1/4	-12 3/4	-0 1/4	-1 1/4	9.27
Japan Dev. Bank 1/2147483648%	200	-15 1/4	-15 3/4	-0 1/4	-1 1/4	9.27
Japan Dev. Bank 1/4294967296%	200	-18 1/4	-18 3/4	-0 1/4	-1 1/4	9.27
Japan Dev. Bank 1/8589934592%	200	-21 1/4	-21 3/4	-0 1/4	-1 1/4	9.27
Japan Dev. Bank 1/17179869184%	200	-24 1/4	-24 3/4	-0 1/4	-1 1/4	9.27
Japan Dev. Bank 1/34359738368%	200	-27 1/4	-27 3/4	-0 1/4	-1 1/4	9.27
Japan Dev. Bank 1/68719476736%	200	-30 1/4	-30 3/4	-0 1/4	-1 1/4	9.27
Japan Dev. Bank 1/137438953472%	200	-33 1/4	-33 3/4	-0 1/4	-1 1/4	9.27
Japan Dev. Bank 1/274877906944%	200	-36 1/4	-36 3/4	-0 1/4	-1 1/4	9.27
Japan Dev. Bank 1/549755813888%	200	-39 1/4	-39 3/4	-0 1/4	-1 1/4	9.27
Japan Dev. Bank 1/1099511627776%	200	-42 1/4	-42 3/4	-0 1/4	-1 1/4	9.27
Japan Dev. Bank 1/2199023255552%	200	-45 1/4	-45 3/4	-0 1/4	-1 1/4	9.27
Japan Dev.						

INTERNATIONAL COMPANIES AND FINANCE

Philosophy of gain through pain

Robert Thomson follows the ups and downs of Kumagai Gumi

Kumagai Gumi does not lack ambition. The Japanese construction company recently finished a road and rail tunnel under Hong Kong Harbour...



The Bank of China HQ in Hong Kong, built by Kumagai Gumi

These began in 1961 when the company was the first Japanese contractor to win an international tender for a water channel in Hong Kong...

When we started in overseas contracts some other Japanese companies were involved in foreign work...

The contradiction is that the margins are greater in the costlier domestic construction market...

Having completed the Hong Kong project last September, four months ahead of schedule, Kumagai Gumi and Kumagai Gumi Hong Kong...

We provided finance for the deal, but our partner was involved in the Marcos scandal

strong demand in London because of its role as a financial centre. It's a very strong and stable market...

He explained that the company has brought its techniques for consensus-building to London in handling on-site complications...

While Kumagai has been prepared to commit resources to China, Mr Inazu does not think Eastern Europe will be a useful market in the short-term...

If you abide by the basic principles of building quickly, cheaply and with high quality, then your company should be a success...

Japanese construction companies, generally, have been consistently criticised by the US for their cosy relationships that are said to restrict opportunities for foreign contractors in Japan...

This system of dividing work evenly among companies is known as dango, and Mr Inazu has strong opinions on the subject...

The company expects that overseas contracts will comprise about 25 per cent of sales or about 20 per cent of profit...

and could not provide finance. We decided that the best thing to do was announce bankruptcy...

The problems with the joint venture, in which the company has reportedly invested \$180m, highlight a danger of the Kumagai strategy...

The benefits of such a commitment are more obvious in the Hong Kong harbour tunnel, as the company has a majority management stake...

As for the 51-storey building in Peking, the company is "trying to lease space" but admits that prospects have been damaged by the crushing of the pro-democracy movement last June...

The Japanese company was keen to have a Peking presence on a deal that extends well beyond the 1997 Hong Kong handover...

Kumagai and, in particular, the Hong Kong offshoot, have invested heavily in the success of China's reform programme...

We are cautiously watching developments in China before we make a final decision on the Hainan project...

As for the 51-storey building in Peking, the company is "trying to lease space" but admits that prospects have been damaged...

The company, through its wholly-owned Kumagai Gumi UK, is involved in 13 projects in central London, and the purchase of Ranelagh Developments for a reported Y2bn (\$18.97m) is intended to strengthen its construction services operations...

TO THE HOLDERS OF JUSCO CO., LTD. U.S. \$40,000,000

6 per cent. Convertible Bonds Due 1992 NOTICE OF FREE DISTRIBUTION OF SHARES AND ADJUSTMENT OF CONVERSION PRICE

Pursuant to Clause 7 (B) of the Trust Deed dated June 16, 1977, under which the above described Bonds were issued, you are hereby notified that a free distribution of Shares of our Company at the rate of 0.05 share for each one share held will be made to shareholders of record as of February 20, 1990

As a result of such distribution, the Conversion Price at which shares are issuable upon conversion of said Bonds will be adjusted pursuant to Condition 5(C) of the Bonds from 731.1 Japanese Yen to 696.3 Japanese Yen effective as of February 21, 1990.

JUSCO CO., LTD.

Dated: January 31, 1990

Floating Euro-Dollar repackaged assets of the republic of Italy due 1993 F.E.A.R.L. I US\$100,000,000

In accordance with the provisions of the notes, notice is hereby given that for the interest period from January 31, 1990 to April 30, 1990 the notes will carry an interest rate of 8.5% per annum.

U.S. \$50,000,000 Bergen Bank A/S Floating Rate Notes due 1991

In accordance with the provisions of the Notes, notice is hereby given that for the interest period from January 31, 1990 to July 31, 1990, the Notes will carry an interest rate of 11.5275%.

U.S. \$70,000,000 Autopista Vasco-Aragonesa, Concesionaria Española, S.A. Guaranteed Floating Rate Notes due 1995

Notice is hereby given that for the six months interest period from January 31, 1990 to July 31, 1990 the Notes will carry an interest rate of 8% per annum.

U.S. \$150,000,000 Wells Fargo & Company Floating Rate Subordinated Notes due 1992

In accordance with the provisions of the Notes, notice is hereby given that for the interest period from January 31, 1990 to 28th February, 1990 the Notes will carry an interest rate of 8.4125% per annum.

U.S. \$100,000,000 Istituto per lo Sviluppo Economico dell'Italia Meridionale Floating Rate Participation Certificates Due 1992

In accordance with the terms and conditions of the Certificates, the rate of interest for the interest period from 31st January, 1990 to 28th February, 1990 has been fixed at 8 1/4%.

U.S. \$100,000,000 Allied Irish Banks Plc Subordinated Primary Capital Perpetual Floating Rate Notes

Notice is hereby given that for the three months interest period from January 31, 1990 to April 30, 1990 the Notes will carry an interest rate of 8 1/4% per annum.

National Australia Bank Limited Floating Rate Notes due 1997

Notice is hereby given that the Rate of Interest relating to the above issue has been fixed at 8 1/4% per cent for the period 31st January, 1990 to 31st July, 1990.

Chemical New York Corp. Floating Rate Notes due 1999

Notice is hereby given that for the interest period from 31st January, 1990 to 28th February, 1990 the Notes will carry an interest rate of 8 1/4% per annum.

Citicorp U.S. \$500,000,000 Subordinated Floating Rate Notes Due October 25, 2005

Notice is hereby given that the Rate of Interest will be fixed at 8.4125% and that the interest payable on the relevant Interest Payment Date February 28, 1990 against Coupon No. 52 in respect of US\$10,000 nominal of the Notes will be US\$65.43.

Notice to holders of European Depositary Receipts in Mitsui & Co., Ltd

EDR holders are informed of a dividend to holders of record date September 30, 1989. The cash dividend payable is Yen 50 per common stock of Yen 50.00 per share.

NOTICE OF REDEMPTION To the Holders of the Extendible Notes Due 2000

General Electric Credit Corporation (now known as General Electric Capital Corporation)

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of Section 8 of the Fiscal and Paying Agency Agreement, dated as of February 20, 1985, between General Electric Credit Corporation (the "Company") and Citicorp (the "Paying Agency")...

Chase Manhattan Bank Luxembourg, S.A. 1 Rue Princesse, 1050 Luxembourg

Chase Manhattan Bank (Switzerland) 63 Rue de Rhodé, 1204 Geneva, Switzerland

Chase Manhattan Bank, N.A. 27th Floor, 27th Street, New York, N.Y. 10001

Wells Fargo & Company Floating Rate Subordinated Notes due 2000

In accordance with the provisions of the Notes, notice is hereby given that for the interest period from 31st January, 1990 to 28th February, 1990 the Notes will carry an interest rate of 8 1/4% per annum.

Italian International Bank Plc Floating Rate Notes due 1991

Notice is hereby given that the Notes will carry an interest rate of 8 1/4% per annum for the period 31st January 1990 to 31st July 1990.

National Bank Hungary U.S. \$100,000,000 Floating Rate Notes due 2000

Pursuant to Note conditions, notice is hereby given that for the interest period 31st January, 1990 to 31st July, 1990 (181 days), the following interest rates will apply:

15 YEAR ORIGINAL NOTES (Coupon No. 11) Rate per annum: 9 1/4% Amount per coupon: US\$45.64 Payable on: 31st July, 1990

3 YEAR CONVERTED NOTES (Coupon Nos. Varied) Rate per annum: 8 1/4% Amount per coupon: US\$43.79 Payable on: 31st July, 1990

U.S. \$150,000,000 Korea Exchange Bank Floating Rate Notes due 1995

In accordance with the provisions of the Notes, notice is hereby given that for the six months interest period from January 31, 1990 to July 31, 1990, the Notes will carry an interest rate of 8 1/4% per annum.

Nippon Steel International Finance P.L.C. U.S. \$50,000,000 Dual Basis Notes due 1995

Notice is hereby given that for the six months interest period, from and including, 31st January, 1990 to, excluding, 31st July, 1990, the Rate of Interest will be 8.9375% per annum.

Republic New York Corporation U.S. \$150,000,000 Puttable Capital Notes

For the six month period 29th January, 1990 to 30th July, 1990 the Notes will carry an interest rate of 8.6875% per annum with an interest amount of U.S. \$439.20 per U.S. \$10,000 Note payable on 30th July, 1990.

Notice to holders of European Depositary Receipts in Marubeni Corporation

EDR holders are informed of a dividend to holders of record date September 30, 1989. The cash dividend payable is Yen 50 per common stock of Yen 50.00 per share.

Notice to holders of European Depositary Receipts in Marubeni Corporation

EDR holders are informed of a dividend to holders of record date September 30, 1989. The cash dividend payable is Yen 50 per common stock of Yen 50.00 per share.

Bank of Montreal U.S. \$250,000,000 Floating Rate Debentures, Series 9, due 1996

Sanyo Electric exceeds forecast with Y16.8bn By Our Financial Staff

Istituto per lo Sviluppo Economico dell'Italia Meridionale U.S. \$100,000,000 Floating Rate Participation Certificates Due 1992

Nippon Steel International Finance P.L.C. U.S. \$50,000,000 Dual Basis Notes due 1995

The bond market from Genesis to Revelations 1990 International Bond Manual

Malayan Banking rises 96% By Lim Siong Hoan in Kuala Lumpur

Chemical New York Corp. Floating Rate Notes due 1999

Citicorp U.S. \$500,000,000 Subordinated Floating Rate Notes Due October 25, 2005

Notice to holders of European Depositary Receipts in Mitsui & Co., Ltd

Allied Irish Banks Plc Subordinated Primary Capital Perpetual Floating Rate Notes

Republic New York Corporation U.S. \$150,000,000 Puttable Capital Notes

Notice to holders of European Depositary Receipts in Marubeni Corporation

Notice to holders of European Depositary Receipts in Marubeni Corporation

National Australia Bank Limited Floating Rate Notes due 1997

Republic New York Corporation U.S. \$150,000,000 Puttable Capital Notes

Notice to holders of European Depositary Receipts in Marubeni Corporation

Notice to holders of European Depositary Receipts in Marubeni Corporation

Korea Exchange Bank Floating Rate Notes due 1995

Nippon Steel International Finance P.L.C. U.S. \$50,000,000 Dual Basis Notes due 1995

Notice to holders of European Depositary Receipts in Marubeni Corporation

Notice to holders of European Depositary Receipts in Marubeni Corporation

It's not exactly the lightest reading since the Dead Sea Scrolls. But for bond dealers, salesmen, analysts and investment managers it's a considerably better read.

Please send me further details of the International Bond Manual.

MALAYAN Banking, Malaysia's largest bank reported a half-year pre-tax profit of 155.4m ringgit (\$7.55).

More loan recoveries contributed to the higher outcome, despite the higher cost of funds from an upward adjustment in the central bank's reserve requirement.

EDR holders are informed of a dividend to holders of record date September 30, 1989. The cash dividend payable is Yen 50 per common stock of Yen 50.00 per share.

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INTERNATIONAL CAPITAL MARKETS

Mitsui Toatsu warrant deal hogs the limelight

By Deborah Hargreaves

THE long-awaited launch of Salomon Brothers' eight-year warrant deal for Mitsui Toatsu Chemical dominated attention in the Eurobond market yesterday...

excess of 50 per cent of the bonds with institutional clients in London and continental Europe as well as Japan. The eight-year warrant issue is new to a market used to investing over the shorter term...

agents wondered whether the price differential was attributable entirely to the difference in time value of the warrants or whether it was due to a move by Salomon to support the deal. Salomon managing the Mitsui deal could open up the warrants business to participation by other non-Japanese houses...

Chicago protests over planned futures tax

By Peter Riddell in Washington and Deborah Hargreaves in London

PROPOSALS in the US Budget to impose fees on various securities deals have run into immediate criticism on fears that business might be driven abroad. The Budget plan is to impose a fee on futures market transactions and to increase and extend fees on other securities deals...

The Chicago Board of Trade, the world's largest futures exchange, has called the proposed transaction fee "the straw that will break the camel's back in terms of competition with foreign markets." Mr Tom Donovan, the exchange's president, said that the CBO's share of world futures business had diminished from 33.4 per cent in 1985 to 27.6 per cent at the end of last year...



Tom Donovan: CBO's share of futures trade already cut

Levies on securities' registrations and on merger and proxy filings with the Securities and Exchange Commission would be increased from 1/60th to 1/40th of 1 per cent of the value of the securities and transactions respectively. The changes would come into effect from July 1. Some of the money raised would go to the Government rather than benefit the SEC...

The futures markets have objected to the proposal for a new fee on transactions, warning that business might be encouraged to go elsewhere. Congress members from Illinois, where the two main markets are sited - in Chicago - have expressed reservations. They have made considerable influence on the main tax-writing committees. Mr Jack Lehman, head of commodities at Shearson Lehman Hutton, says the futures transaction fee and the increase in registration fees in the securities market would raise costs for the small investor...

US Treasuries post gains amid Gorbachev rumours

By Karen Zagor in New York and Martin Dickson in London

US TREASURY bonds posted gains yesterday afternoon for the first time since January 18, when signs that the Federal Reserve would not support easing of monetary policy sent the debt market into a tailspin.

In late trading, the Treasury's benchmark 30-year bond was up 1/8 point at 95 1/2, yielding 8.53 per cent. The yield on the long bond was as high as 8.62 per cent at its weakest price of the day.

The market had initially moved higher, helped by short-covering and the Federal Government's 7 1/2 January 2000 bond was fixed at 97.31 after 97.15, to yield 7.64 per cent, but in late afternoon trading it was quoted at around 97.10.

BENCHMARK GOVERNMENT BONDS

Table with columns: Coupon, Maturity, Price, Change, Yield, Week Ago, Month Ago. Rows include UK Gilts, US Treasury, Japan, France, Germany, Canada, Netherlands, Australia.

GOVERNMENT BONDS

debt market into a tailspin. In late trading, the Treasury's benchmark 30-year bond was up 1/8 point at 95 1/2, yielding 8.53 per cent. The yield on the long bond was as high as 8.62 per cent at its weakest price of the day.

considering resigning. The report, on Cable News Network, said Mr Gorbachev would remain as president. The dollar was quoted at Y145.20 and DML7.020 in late New York trading, up from Y142.98 and DML6.771 late Monday in New York.

UK GOVERNMENT bond prices rose yesterday and down before dropping sharply at the longer end in the afternoon in reaction to Mr Greenspan's remarks on the US economy. At the opening the market moved higher, in part following West Germany, but then moved erratically in a mixed reaction to the latest Confederation of British Industry quarterly industrial survey.

Technical Data/ATLAS Price Source

London closing, *denotes New York closing. Values: Local market standard. Prices: US, UK in 32nds, others in decimal.

NEW INTERNATIONAL BOND ISSUES

Table with columns: Borrower, Amount \$m, Coupon %, Price, Maturity, Fees, Book runner. Rows include Sanwa Shutter Corp, Mitsui Toatsu Chemical, Honda Motor Co, etc.

*Private placement. †With equity warrants. ‡Convertible. §Floating rate notes. ¶Final terms. a) Yield to put 3.5%. b) Yield to put 3.525%. c) Yield to put 3.515%. d) Yield to put 3.2925%. e) Amount depends on exchange offer. Three new bonds may be bought for two old bonds plus \$75,000 in cash less accrued interest on the two old bonds. Can also pay cash. The old bonds exchange into new ones on conversion: 3 1/4% due 1997, 5 1/2% due March 1998 and 5 1/2% due Oct 1994. Each \$75,000 has one warrant for 1,000 shares at conversion. Coupon pays 3-month Libor flat. f) Issue increased for second time. Original amount DM50m, then increased to DM75m. Redemption linked to BFR exchange rate. g) Non-callable. Clause allowing investors to put at par.

Loan for UK independent power station

SWISS Bank Corporation said yesterday that it had underwritten a project loan of about £115m for the first independent power station to be established in the UK, writes Stephen Fidler. A two-year construction loan is being provided to build the station - the 224MW Rose-

cote Power Station near Barrow-in-Furness, Cumbria - which will convert on completion of construction into a 14-year term loan. The total project cost is about £135m, of which 15 per cent is being provided in equity. Swiss Bank, which disbursed the first portion of the loan to

the Lakeland Power (Development) Company in December, plans to begin syndication to other banks in the second half of February. It won the mandate in bidding with three other banks, one each from Britain, the US and Japan. Interest rates were not disclosed.

LONDON MARKET STATISTICS

RISES AND FALLS YESTERDAY

Table showing rises and falls in British Equities, Financial and Properties, etc. Totals: 509 rises, 860 falls, 1,593 same.

LONDON RECENT ISSUES

Table listing recent issues in equities, including companies like British Airways, British Telecom, etc., with details on price and yield.

FIXED INTEREST STOCKS

Table listing fixed interest stocks with columns for name, price, yield, etc.

RIGHTS OFFERS

Table listing rights offers for various companies, including details on price and terms.

TRADITIONAL OPTIONS

Table listing traditional options for various companies, including details on price and terms.

LONDON TRADED OPTIONS

Large table listing London traded options for various companies, including details on call and put prices, volumes, and terms.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

Table showing FT-Actuaries Share Indices for various equity groups and sub-sections as of Tuesday January 30 1990.

FIXED INTEREST

Table showing average gross redemption yields for various fixed interest instruments, including government bonds and corporate debt.

Opening index 2325.5, 10 am 2324.4, 11 am 2332.5, Noon 2332.2, 2 pm 2331.0, 3 pm 2328.2, 3.30 pm 2328.3, 4 pm 2322.3, 4.10 am 2321.0, 5.24 am 2321.0, 5.45 am 2321.0, 6.15 am 2321.0, 6.45 am 2321.0, 7.15 am 2321.0, 7.45 am 2321.0, 8.15 am 2321.0, 8.45 am 2321.0, 9.15 am 2321.0, 9.45 am 2321.0, 10.15 am 2321.0, 10.45 am 2321.0, 11.15 am 2321.0, 11.45 am 2321.0, 12.15 pm 2321.0, 12.45 pm 2321.0, 1.15 pm 2321.0, 1.45 pm 2321.0, 2.15 pm 2321.0, 2.45 pm 2321.0, 3.15 pm 2321.0, 3.45 pm 2321.0, 4.15 pm 2321.0, 4.45 pm 2321.0, 5.15 pm 2321.0, 5.45 pm 2321.0, 6.15 pm 2321.0, 6.45 pm 2321.0, 7.15 pm 2321.0, 7.45 pm 2321.0, 8.15 pm 2321.0, 8.45 pm 2321.0, 9.15 pm 2321.0, 9.45 pm 2321.0, 10.15 pm 2321.0, 10.45 pm 2321.0, 11.15 pm 2321.0, 11.45 pm 2321.0, 12.15 am 2321.0, 12.45 am 2321.0, 1.15 am 2321.0, 1.45 am 2321.0, 2.15 am 2321.0, 2.45 am 2321.0, 3.15 am 2321.0, 3.45 am 2321.0, 4.15 am 2321.0, 4.45 am 2321.0, 5.15 am 2321.0, 5.45 am 2321.0, 6.15 am 2321.0, 6.45 am 2321.0, 7.15 am 2321.0, 7.45 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UK COMPANY NEWS

West German disposal will reduce retailer's gearing to about 40% Next sells Biba chain for £47m

By Maggie Urry

NEXT, the high street fashion retailer and mail order group, has sold Biba, its chain of 60 women's fashion shops in West Germany, for DM134m (£47.6m), including repayment of debt of £2.9m.



David Jones: Biba sale marks end of non-core disposals

day of the group's financial year. The cash was paid into Next's bank account yesterday. Biba's net asset value was £3.1m, and there will be an extraordinary profit of £44.5m in Next's 1989-90 accounts.

marked the end of the group's disposals of non-core activities and that he could start the new financial year "with my mind totally devoted to sorting out our on-going businesses."

DY Davies advances 26% to £633,000

By Peter Franklin

HAVING PUT the problems associated with delays on two major projects firmly behind it, DY Davies, the USM-quoted architectural practice, advanced last year's advance when it reported pre-tax profits up 26 per cent to £633,000 for the six months to October 31 1989.

AIM falls to £1.3m and shares drop 55p on full year warning

By Clare Pearson

SHARES IN AIM Group, the aircraft interiors manufacturer and property developer, fell sharply yesterday after the company said profits for the current year would be materially below last year's result.

issue pitched at 85p. In the half-year, profits from the property division fell from £917,000 to just £28,000. AIM said sales of residential properties were at a standstill while trading conditions in the commercial sector were also difficult.

Mr Jeff Smith, chairman, said the medium to long-term prospects for the aviation division continued to be extremely buoyant. But the short-term boom was being complicated by recent industrial action at Boeing and currently at British Aerospace, which would cause some deliveries to slip into the next financial year.

Sauces buy for Albert Fisher

By Clare Pearson

ALBERT FISHER, the foods group, is building up its interests in sauces and dressings via the purchase of Beswick, a UK producer, for a maximum consideration of £4.5m.

with its active acquisitions policy. The initial consideration for Beswick is £2.5m which will be satisfied by a mixture of cash and shares. In addition there may be a deferred payment on an earn-out basis.

the two years ending October 31 1991. Albert Fisher ran into complaints from some institutional shareholders over several aspects of its recent capital-raising exercise and was forced to alter the terms in one respect.

Duncan Lawrie ahead by 15%

By David Lascelles, Banking Editor

Duncan Lawrie, the private banking arm of Walker Duncan & Goodrick, last year raised pre-tax profits by 15 per cent to £1.04m, the first time they have risen above £1m.

However, the City of London delayed work on the Guildhall to add further adjacent properties to the development and the London Docklands Development Corporation turned down plans for phase two of London Bridge City with the result that in that year Davies' profits were halved.

Pacific Assets Trust to raise £20.2m via placing

By Clare Pearson

PACIFIC ASSETS Trust is issuing units of ordinary shares and warrants. This raises £20.2m to fund continued investment in the Asian Pacific region.

In the trust's fully-diluted net asset value per ordinary share after allowing for a net interim dividend of 0.875p and all estimated expenses.

Brent Walker sells its 29.9% stake in Trillion

By Andrew Bolger

Brent Walker, the leisure and property group, has disposed of its 29.9 per cent stake in Trillion, the USM-quoted television production company.

ANALYSIS OF BANK ADVANCES AND ACCEPTANCES

To UK residents by reporting institutions in the UK at November 30, 1989 (Bank of England Quarterly Bulletin)

Table with columns: Amounts outstanding (sterling and other currencies, sterling only in italics), All monthly reporters, Loans and advances, Acceptances, Of which in sterling, Changes in total lending in sterling three months ended, In other currencies (Adjusted for exchange rate effects), Group detail Total Outstanding (Sterling and other currencies) of which in sterling.

ANALYSIS OF BANK ADVANCES AND ACCEPTANCES (Continued)

Table with columns: Amounts outstanding (sterling and other currencies, sterling only in italics), Manufacturing industry (Continued), Loans and advances, Acceptances, Of which in sterling, Changes in total lending in sterling three months ended, In other currencies (Adjusted for exchange rate effects), Group detail Total Outstanding (Sterling and other currencies) of which in sterling.

ANALYSIS OF BANK ADVANCES AND ACCEPTANCES (Continued)

Table with columns: Amounts outstanding (sterling and other currencies, sterling only in italics), Chemical, Mechanical engineering, Electrical & electronic engineering, Motor vehicles, Other transport equipment, Other engineering and metal goods, Food & drink, Textiles, leather, clothing and footwear, Other manufacturing, Loans and advances, Acceptances, Of which in sterling, Changes in total lending in sterling three months ended, In other currencies (Adjusted for exchange rate effects), Group detail Total Outstanding (Sterling and other currencies) of which in sterling.

ANALYSIS OF BANK ADVANCES AND ACCEPTANCES (Continued)

Table with columns: Amounts outstanding (sterling and other currencies, sterling only in italics), Financial, Insurance, Investment companies and unit trusts, Leasing companies, Securities dealers, Other financial, Wholesale, Hotels & catering, Air transport, Other transport, Postal services & telecommunications, Loans and advances, Acceptances, Of which in sterling, Changes in total lending in sterling three months ended, In other currencies (Adjusted for exchange rate effects), Group detail Total Outstanding (Sterling and other currencies) of which in sterling.

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Footnotes: (1) Companies loans, advances and acceptances. Loans and advances include lending under the DTT special scheme for domestic shipbuilding, secured call money placed with Stock Exchange money brokers and gilt-edged market makers, and time deposits placed with, and holdings of certificates of deposit and other securities issued by, building societies.

Queens Moat raises Norfolk Capital stake

QUEENS MOAT Houses has increased its stake in Norfolk Capital Group, the rival hotels company for which it is bidding, from about 2.5 per cent to 4.4 per cent.

The main block of the increase was bought at 42 1/2p from Brewin Dolphin, the stockbroker and fund management group. Queens Moat said yesterday it would post its offer document to Norfolk shareholders as soon as possible.

Competition limits rise at Wm Ransom

Taxable profits of William Ransom & Son, the manufacturing chemist, rose by just £13,000 to £320,000 for the six months ended September 30.

Dudley Jenkins at £321,000

Profits of Dudley Jenkins, a USM-quoted list broker which derives the major part of its income from the supply of mailing lists to advertisers in the UK and abroad, rose from £241,000 to £321,000 pre-tax in the six months to October 31.

Sturge buys Lloyd's agency for £2.15m

Sturge Holdings, the Lloyd's underwriting agency group, is acquiring Hall Harford Jeffreys Langdale, a total consideration of £2.15m of which £600,000 is to be satisfied by the issue of 129,000 shares.

Partridge beats forecast with £3.2m

Partridge Fine Arts, the antique furniture dealer which joined the main market through a placing last September, yesterday announced pre-tax profits of £3.2m for the year ended October 31 1989, comfortably beating the £3m forecast at the time of listing.

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Earnings ahead at Scottish National

In its report for the first quarter, covering the three months to December 31, The Scottish National Trust announced earnings per share of 1.97p, up from 1.83p, net revenue ahead from £3.12m to £3.18m.

Trinity invests in television production

Trinity International Holdings, the Chester-based newspaper publisher, has taken a substantial minority shareholding in Liberty Television, a small television production company founded last year.

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Residential Property Securities No. 2 PLC £200,000,000 Mortgage Backed Floating Rate Notes 2018 The rate of interest for the three month period 29th January, 1990 to 30th April, 1990 has been fixed at 15.45 per cent per annum. Coupon No. 7 will therefore be payable on 30th April, 1990 at £3,851.92 per coupon.

KB IFIMA N.V. KB Internationale Financieringsmaatschappij N.V. US\$ 150,000,000 Guaranteed Floating Rate Notes Due 2011 In accordance with the Description of the Notes, notice is hereby given that for the interest period from January 29, 1990 to April 30, 1990 the Notes will carry an interest rate of 8.40 % per annum.

UK COMPANY NEWS

Microgen hit by restructure and suspected fraud

By Alan Cane

A SUSPECTED fraud, the cost of major management restructuring and a higher tax charge in Sweden have conspired to reduce profits at Microgen, the information management systems group, for the first time in six years.

The company, which claims to have 60 per cent of the UK market for bureau-based computer output on microfilm, laser printing and computer aided typesetting, reported pre-tax profits of £7.2m for the year ended October 31 1989, a decline of 26 per cent on the previous year and about £2m below analysts' expectations.

Earnings per share were hit even harder - down 35 per cent at 11.1p reflecting the higher Swedish tax charge which cost the company some £300,000.

Sales were up 14 per cent at £66m compared with £58.5m a year earlier. The company had warned at the half-way stage that profits would be lower and its shares closed at 12.1p, only 4p down on the day.

Mr Patrick Barbour, chairman, said the company had made a provision of £500,000 against what he described as the possibility of a deliberate and systematic fraud.

The police are now completing investigations into the matter and are expected to lay charges against a former senior executive of the company. Mr Barbour said that as the case was now sub judice he

could give no further information. The company hoped, however, to recover a proportion of the missing funds.

He said that revamping the management structure of the UK company and redirecting its strategy towards information management services had cost some £500,000. Losses from the ill-advised purchase of a direct mail company, shortly to be sold, cost £200,000 and the write-off of demonstration stock, £260,000.

The directors recommend a final dividend of 4.5p making a 6.7p (6.5p) total.

COMMENT

Analysts were understandably irritated by Microgen's figures after expecting pre-tax profits in the £9m region. They believe, however, the company is basically sound and that it has now revealed all the bad news. Many of the problems appear to have been the result of sloppy management which failed to anticipate the need for investment in a new generation of computer equipment or to understand how difficult it would be to integrate Microgen and Scan Laser, the two principal companies in the group. Mr John Theobald, former managing director of the security print division of De La Rue, has now taken over as group managing director. Analysts are now forecasting pre-tax profits of at least £9m for 1990.

Ascending the slopes and seeking new horizons

James Buxton and David Owen on East of Scotland Industrial Investments' hostile bid for Saltire

THE COVER of East of Scotland Industrial Investments' latest annual report depicts a string of cable cars on a mountain. This is the Nevis Range Development Company, a project to develop skiing on the slopes of Aonach Mhor, near Ben Nevis in the West Highlands.

Skiing is just one of the diverse sectors in which ESII, an unquoted investment group with holdings chiefly in unlisted companies, has an interest. Others include waste disposal, structural steel engineering and printed circuit board manufacture. The group's 15.7 per cent stake in Nevis Range is a relatively small investment, having cost just £137,500.

Now the company is attempting to add insurance to its portfolio through a hostile £11.8m bid for Saltire Insurance Investments, a fellow Edinburgh investment trust founded by Hodgson Martin in mid-1987 in the south-east of England carrying the shares to £18. They are now back to £13.35.

The offer, which is worth 78.75p per share, is equivalent to 105 per cent of Saltire's estimated formula asset value on January 23.

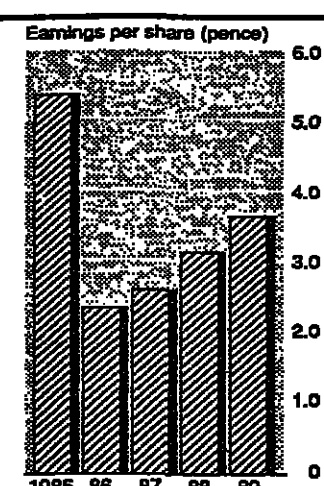
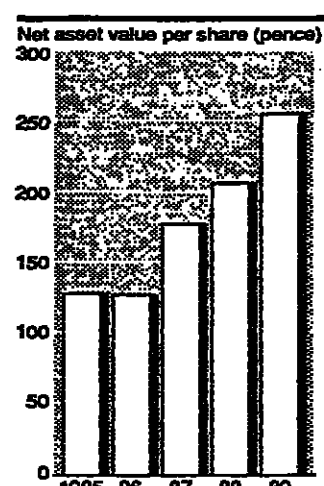
The offer document and subsequent comments made by ESII make much of Saltire's poor performance. And indeed the group is rated the worst performing Scottish investment trust out of 44 over the past two years.

But what of ESII's own performance? After all, the company's net asset value per share was in marginal decline between 1984 and 1988 before registering strong growth over the next three years.

In fact, analysts tend to regard ESII as a one-stock company which has come good thanks to its holding in Shanks & McEwan, now one of the UK's largest waste disposal companies.

Shanks & McEwan came to the stock market in early 1988 with its shares priced at 650p. Last year, a combination of earnings growth, the vogue for "green" stocks and the group's ownership of large tracts of landfill space in the south-east of England carried the shares to £18. They are now back to £13.35.

Quayle Munro, the Charlotte Square-based merchant bank which manages ESII, advised Shanks & McEwan on the 1982 financial reconstruction that



set it on the path to growth. ESII's 700,000 shareholding in the company is now worth £3.2m (or more than ten-times its cost), accounting for more than 40 per cent of overall assets.

Nonetheless, Mr Michael Munro, who runs ESII, is at pains to stress that Shanks & McEwan is not a lone shooting star. He points out that eleven companies in which ESII has

invested in over the past five years have either obtained a listing or quotation, or been taken over.

He says: "You are always going to have one spectacular winner. We are always fairly conservative in our valuations of unquoted companies. There are several other interesting companies in our portfolio." Quayle Munro has also had its share of problems.

East of Scotland Onshore, an investment trust involved in unquoted oilfield service companies and an ESII sister company, for example, was hit by the oil industry downturn. It was eventually taken over in 1985 by IFICO, an investment company, at a price not unfavourable to shareholders.

More recently, Aonach Mhor, having opened just before Christmas, was hit by a series of well-publicised incidents involving equipment malfunctions and the injury of a skier on the resort's ski-lift.

Mr Munro says that the faults were immediately rectified by the Austrian contractors and that Nevis Range should benefit in the longer run from the fact that snow tends to lie longer on Aonach Mhor than at competing Scottish resorts.

Nevis Range is one of several recent operations which have brought a higher profile to Quayle Munro in its seventh year of existence. The company was founded by Mr Munro and Mr Ian Jones - whose middle name is Quayle - in 1983.

After a number of corporate finance deals, it lately broke new ground when it was cho-

sen to advise the Scottish Office on the privatisation of the Scottish electricity industry.

In addition, it counselled the government on the future of the Scottish Development Agency's investment activities. Having told the government how to organise the sale of the state-owned Scottish Bus Group, it is also involved in the sale of the individual units into which it is being divided.

Mr Munro regards these and other activities as "steps up the ladder" to become a bigger player in the Edinburgh corporate finance scene.

In 1990, whether or not the Saltire bid succeeds, ESII intends to seek investment trust status. This is likely to be a valuable step for the group, since it would lose its liability for capital gains tax on its investment successes.

Though investment trusts do not normally have more than 15 per cent of their assets in any one share, Mr Munro does not expect ESII's interest in Shanks & McEwan to present an obstacle to this ambition.

Rush & Tompkins builds a 7.4% advance to top £3.5m

By Vanessa Houlder

RUSH & TOMPKINS, the UK developer and contractor, yesterday announced a 7.4 per cent increase in pre-tax profits from £3.82m to £4.09m for the six months to September 30 1989. Turnover increased from £110.15m to £138.54m.

Mr Nigel Dunnett, managing director, struck a note of caution about the effect of tough market conditions on several joint ventures which are due to be sold in the second half. However, negotiations were under way and he was quietly confident, he said.

In the first half four developments were sold. They were a retail and office development in Bristol, a retail development in Ebbw Vale and industrial investments in Southampton and Glasgow.

Mr Dunnett said he was basing decisions on the supposition that interest rates would come down in the autumn. "At the moment I do not see any reason to sell properties at a massive discount," he said.

The programme of joint venture developments was going well, particularly in Scotland and the north of England, said Mr Dunnett.



Nigel Dunnett: basing decisions on the supposition that interest rates would come down in the autumn

In Europe an office park development in Hamburg is due to start later this year. Planning consent has also been granted for an office block in Lisbon.

The group's interests in the Bahamas were going well, said Mr Dunnett. However, market conditions in the US remained difficult. Agreement has been reached with Hochtief of West Germany, a major shareholder, to

undertake road, bridge and motorway projects in the UK.

After being restructured in 1986 Rush & Tompkins has specialised as a contractor/developer. It invests no more than 50 per cent in a single development for which it also does the contracting.

Earnings per share increased from 15.6p to 15.7p, and an unchanged dividend of 4p is declared.

Roskel expands via acquisition

ROSKEL, the USM-quoted suspended ceilings and partitioning specialist, has acquired Access Rental and its subsidiaries, for a total of £1.8m.

The consideration was satisfied by the issue of £1.59m ordinary shares, of which 793,247 are being retained by certain of the vendors. The balance has been placed with institutional investors at 111p per share.

The company is also raising about £234,000 in a placing for cash of £10.537 per ordinary share, again at 111p per share. Proceeds will be used to provide the enlarged group with additional working capital.

Access, which specialises in the hire of hydraulic lifting platforms and mobile alloy towers, made pre-tax profits of £230,438 in the year to May 31 1989 on turnover of £1.84m. Assets at that date were £884,482.

Martin Shelton improves to £80,000

Martin Shelton Group, the USM-quoted supplier of diaries, calendars and business gifts, reported pre-tax profits 16 per cent higher at £80,000 for the six months to September 30.

Turnover rose 28 per cent from £1.06m to £1.3m. The interim dividend is lifted 50 per cent to 0.75p (0.5p), payable from earnings ahead 18 per cent to 1.04p (0.88p) per 10p share.

Stonehill

Stonehill Holdings, a furniture maker and property investor, yesterday announced sharply increased pre-tax losses at the interim stage.

For the six months to September 30 the deficit rose from £396,000 to £904,000. Turnover declined from £6.01m to £4.19m, with losses per share amounting to 4.73p (2.52p).

Correction Honorbilt

Honorbilt is issuing shares worth £500,000 to pay for the brand names and certain assets of Parkes Clothing. The terms were incorrectly reported yesterday.

Invicta Sound extends its range with French buy

By John Thornhill

INVICTA SOUND, the Kent-based radio company, will soon be soothing the ears of half a million French listeners after buying the evocatively named Radio Nostalgie licence for the Boulogne and Calais regions.

Radio Nostalgie's programming is aimed at the over-35s - what Invicta calls the "golden oldies marketplace." The station broadcasts middle-of-the-road music such as Frank Sinatra.

The USM-quoted Invicta also has an interest in Continental FM, which broadcasts in north-west France. Mr Nigel Reeve, Invicta's managing director, said this station aimed its programming at 15 to 34-year-olds, but added that the two stations would be able to benefit from sharing the same

advertising sales team based in Boulogne.

The acquisition has been made through Invicta's wholly-owned subsidiary, Invicta Continental, to comply with French broadcasting rules.

The cost of the purchase was not disclosed but Mr Reeve said it could be funded out of Invicta's cash flow.

Southern Radio Holdings has increased its shareholding in Invicta Sound to 19.8 per cent. Earlier this month it bought a 15 per cent stake from Crown Communications.

Invicta has previously been in merger talks with Southern and Mr Reeve did not discount the possibility that they would begin again. But he considered that such discussions were unlikely to take place in the immediate future.

Throgmorton Trust's assets decline to 99.3p

By Andrew Bolger

THROGMORTON TRUST, the investment trust which owns the Framlington fund management group, yesterday reported a 2.3 per cent drop in net asset value from 102.22p to 99.26p over the year to November 30.

During the same period, the FT All-Share Index rose by 22 per cent, but Throgmorton suffered because of its focus on smaller companies.

The final dividend goes up to 3.36p (1.86p), making a total for the year of 3.18p (2.65p) per share.

Gross revenue increased from £19.51m to £25.32m, but dividends from investment dropped from £13.36m to £12.8m. Expenses and interest took £13.72m (£9.96m).

Framlington made pre-tax profits of £6.71m in the period. Its results were not consolidated, but the fund management group, which has an impact in terms of income received by Throgmorton, and on interest payable by the group.

Lord Ezra, chairman of the trust, said: "The flow of revenue was higher in the second half of the year, producing a satisfactory result for the 12 months as a whole."

He added: "The trust's asset growth was affected by the underperformance of smaller companies but the board now considers the heavy markdown of such shares has created favourable circumstances for investment."

Colonnade helps build bid defence with £1.55m sale of TIP Europe shares

By Andrew Bolger

COLONNADE Development Capital, a small investment company which is the target of an £8.9m hostile cash bid, yesterday announced that it had raised £1.55m by selling 860,185 shares in TIP Europe, the trailer rental group.

Stratagem Group last week offered 163p per share for Colonnade, which rejected the offer as inadequate. In December Stratagem led shareholder opposition which blocked a plan by Colonnade to reorganise its management and purchase British and Commonwealth Holdings' development investment arm.

Colonnade said that following the TIP Europe deal, its portfolio yesterday contained cash, cash receivables and quoted government securities with a total value of £7.1m (representing 140p per Colonnade share in addition to the proposed dividend of 3.3p net

for the year to October 31).

Colonnade also said it held equity investments in Intec Group, which makes drawing office equipment; Sherwood Computer Services; JT Ellis, a furniture maker; Reedpack, a paper company; and Pelham Communications, a marketing services group.

Mr Richard Wevill, a director of Colonnade, said it was a matter of public record that his group owned 83.1m shares in Intec, which had a current market value of £1.86m.

That stake alone would add an extra 37p to the value of each Colonnade share. Colonnade repeated that the Stratagem offer of 163p per share did not represent fair value for shareholders.

Colonnade shares were now trading ex the dividend payable for the year ended October 31, effectively making the offer worth only 159.8p per share. Shareholders were urged to

wait the board's own proposals to maximise shareholder value.

Stratagem said yesterday that it had bought 250,000 shares in Colonnade on Monday at 163p each, representing 4.9 per cent of Colonnade's share capital.

This brought the number of shares either owned or controlled by Stratagem to 18.1 per cent.

Prior to the offer Stratagem said it owned 4.5 per cent of Colonnade's ordinary shares.

On announcing the offer, it had received expressions of support from holders of 42.7 per cent of Colonnade's shares, of which it had subsequently bought shares representing 13.6 per cent of the total.

Colonnade shares closed unchanged at 165p, and Stratagem remained at 185p.

FOOD INDUSTRY

The Financial Times proposes to publish this survey on:

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For a full editorial synopsis and advertisement details, please contact:

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NOTICE TO HOLDERS OF WARRANTS
issued by
NIPPON STEEL CORPORATION
in connection with its
U.S. \$600,000,000 3 1/2 per cent Bonds due 1992 with Warrants (the "1992 Bonds")
and its
U.S. \$1,200,000,000 4 1/2 per cent Bonds due 1993 with Warrants (the "1993 Bonds")

Nippon Steel Corporation (the "Company") on 26th January 1990 issued its ¥100,000,000,000 0.10 per cent Bonds due 1994 with Warrants and on 27th January 1990 250,000,000 shares of its common stock.

NOTICE IS HEREBY GIVEN that as a result of those two issues the Subscription Price of the Warrants issued in connection with the 1992 Bonds changed from ¥687.0 to ¥685.20 on 26th January 1990 and then from ¥685.20 to ¥682.10 on 27th January 1990, and the Subscription Price of the Warrants issued in connection with the 1993 Bonds changed from ¥932.00 to ¥929.50 on 26th January 1990 and then from ¥929.50 to ¥925.30 on 27th January 1990.

Save for those adjustments to the Subscription Prices the terms of the Warrants issued in connection with the 1992 Bonds and the terms of the Warrants issued in connection with the 1993 Bonds remain unchanged.

NIPPON STEEL CORPORATION
(President and Representative Director)
Dated: January 31 1990

NOTICE TO THE WARRANTHOLDERS OF UNY CO., LTD. (the "Company")
U.S.\$60,000,000
2 3/4 per cent Bonds
Due 1991 with Warrants

Notice is hereby given pursuant to Clause 3 and 4 of the Instrument dated 22nd June, 1984 (the "Instrument"), as follows:

- At its meeting held on the 20th day of January, 1990, the Board of Directors of the Company resolved to make a free share distribution to the shareholders of record on the date specified below at the rate of 0.05 share per one share held.
- The record date in Japan is the 20th day of February, 1990, and the aforesaid free share distribution will result in an adjustment of the subscription price relating to the warrants with such adjustment taking effect in Japan on 21st day of February, 1990.
- The subscription price before adjustment is 1,701.60 Japanese Yen per share of common stock of the Company and the price which will result, pursuant to the Clause 3 and 4 of the Instrument, after giving effect to the aforesaid free share distribution will be 1,626.60 Japanese Yen per share of common stock.

UNY CO., LTD.
By: The Bank, Limited
London Branch
as Fiscal Agent 21st January, 1990

NOTICE TO THE WARRANTHOLDERS OF UNY CO., LTD. (the "Company")
U.S.\$150,000,000
4 1/8 per cent Bonds
Due 1993 with Warrants

Notice is hereby given pursuant to Clause 3 and 4 of the Instrument dated 22nd June, 1984 (the "Instrument"), as follows:

- At its meeting held on the 20th day of January, 1990, the Board of Directors of the Company resolved to make a free share distribution to the shareholders of record on the date specified below at the rate of 0.05 share per one share held.
- The record date in Japan is the 20th day of February, 1990, and the aforesaid free share distribution will result in an adjustment of the subscription price relating to the warrants with such adjustment taking effect in Japan on 21st day of February, 1990.
- The subscription price before adjustment is 2,150.70 Japanese Yen per share of common stock of the Company and the price which will result, pursuant to the Clause 3 and 4 of the Instrument, after giving effect to the aforesaid free share distribution will be 2,075.70 Japanese Yen per share of common stock.

UNY CO., LTD.
By: The Bank, Limited
London Branch
as Fiscal Agent 21st January, 1990

COMMODITIES AND AGRICULTURE

Canadian miners hit a thin profits seam

Bernard Simon on the problems that have prompted a spate of mine closures

MEMORIES OF the dismal early 1980s have been resurfacing in Canada this month as one base metal producer after another tightens its belt by closing mines and laying off workers. A combination of weak demand, sliding prices, poor productivity and high costs has prompted the cuts. Announcements made in the past three weeks include:
• Cominco is to close its big Sullivan zinc mine in British Columbia with a loss of 700 jobs.
• Inco, which accounts for almost a third of non-ferrous metal output, has cancelled overtime at its nickel operations in Ontario and Manitoba, as well as at its refinery at Clydach, Wales. The cutback will reduce 1990 output by about 5 per cent to 400m lbs.
• Falconbridge will reduce 1990 output by 10 per cent to 135m lbs, partly by closing one of its mines at Sudbury, northern Ontario. The company also will cut capital spending.
• Rio Algom is trimming its uranium production by more than two-thirds by shutting two northern Ontario mines, with the loss of 1,800 jobs.
• Westar Mining, Canada's biggest coal producer, warned after concluding a new contract with Japanese customers last week that shipments in the sales year starting April 1

will be significantly lower than in the previous 12 months.
• Potash Corporation of Saskatchewan will close temporarily two mines, accounting for more than half its output. Earlier, aluminium producer Alcan shut down a production line at its smelter at Arvida, Quebec four months ahead of schedule, and brought the first phase of its Latimer smelter into production at only 40 per cent of capacity.
Cominco has clearly lost patience with the militant unions at the Sullivan mine, whose members earn up to 40 per cent more than their counterparts in the US. Sullivan has recently been losing \$2m (£1m) a month. "They're picking on their weakest mine in a weak market," says Mr Bruce Reid, analyst at Loewen Ondaatje McCutcheon in Toronto.
Cominco, which until 1986

the Toronto stock exchange has tumbled in the past year from \$344.25 to less than C\$28 this week.
Alcan's cash flow is being sapped by heavy capital spending. Mr Lydall warns that the company may have to cut its dividend if aluminium prices continue to slide.
Noranda's ambitious debt-reduction programme in the mid-1980s got off to a good start, with its long-term debt dropping below C\$2bn at the end of 1987. But its purchase of a 50 per cent stake in Falconbridge last year pushed borrowings up again to a record C\$3.25bn at the end of September 1989.
Not all the recent news has been bad for the Canadian mining industry, however. After three years, the Bank of Canada began to loosen the rein on domestic interest rates in mid-January, in the process allowing the Canadian dollar to fall sharply. The dollar was trading early this week at 83.5 US cents, almost 3 cents below its late-December peak.
Both lower interest rates and a weaker dollar bring substantial benefits to the mining industry. Noranda (which earns more from forest products than from mining) estimated that each percentage-point decline in interest rates would boost its 1989 earnings by C\$12m, while it would gain C\$19m from a 1

'Polluter pays' laws planned in Australia

THE AUSTRALIAN Government wants to alter key pricing arrangements for resource use and to impose the "polluter pays" principle to resolve conflicting issues of resource development and environmental protection.
The proposal was revealed yesterday by Mr John Kerin, Minister for Primary Industries and Energy, in a keynote speech opening the annual agricultural and resources outlook conference in Canberra.
Mr Kerin is the Labor Government's most articulate advocate of resource development and critic of the "Greenies" but in the past he has been at odds with other members of the Cabinet, in particular Mr Graham Richardson, the Environment Minister.
His latest suggestion follows controversial decisions to delay forest resource development projects because of environmental concerns - a paper and pulp mill, a gold, platinum and palladium mine and a mineral sands processing plant.
The issue is particularly important in Australia because a reduction of the country's chronic balance of payments deficit depends on continued high levels of commodity exports. At the same time the environment movement is gaining increased political influence.
According to Mr Kerin yesterday, the idea of striking a compromise or achieving a bal-

Caribbean bauxite producers go for growth

Canute James reports on production boosts encouraged by firm demand

LED BY continuing firm demand, Caribbean bauxite producers are increasing production and are planning expansion of refining capacity. The trend has been evident in Jamaica, the world's third largest producer, and will be reflected in Guyana later this year.
Indicative of the region's attempt to make the most of the market is the Jamaican Government's search for a partner in a new refinery project. It recently signed an agreement with Alcan of Canada to study the feasibility of constructing a 1m-tonnes-a-year plant on the island's north coast. The first step is a study of the quantity and quality of ore in the area.
The plant is likely to cost about \$1bn, with ownership by Alcan, the Government, and at least one other company from Japan, the UK or another European country, according to government officials.
"This is a very interesting development, especially as it involves one of the largest aluminium companies in the world," said Mr Carlton Davis, executive chairman of the Jamaica Bauxite Institute, the

state agency that is responsible for the industry. "This is a company with which we have had an association going back to the 1940s, and it has a good track record in Jamaica. This company has a power base in the industry, and this venture is one of the most promising prospects which we have had in recent times."
The venture with Alcan appears more promising than that proposed earlier by Pechiney of France for either the expansion of a refinery in Jamaica, or a greenfield plant. Government officials say discussions are continuing with the French company.
But while waiting for these plans to bear fruit, the Jamaican industry is expanding existing refining capacity. Alumina Partners of Jamaica, owned by Kaiser Aluminium and Hydro Aluminium, is increasing output at its plant in southern Jamaica. The refinery, which has a rated capacity of 1.2m tonnes a year, was reopened just over a year ago after a three-year shutdown. It is now producing at an annualised rate of 1m tonnes, but a planned \$12m investment by the owners will lift the annual

output to 1.25m tonnes.
There are also plans to expand the capacity of Jamaica, a 800,000-tonnes-a-year refinery owned jointly by Alcoa and the Jamaican Government. Rated capacity will initially be lifted to 1m tonnes, with the prospect of doubling this in ten years if the market remains firm.
Alcan, which operates two refineries on the island with a combined rated capacity of 1.1m tonnes per year, is currently producing 950,000 tonnes, and aims to raise this to 1m tonnes a year.
"WE produced about 2.1m tonnes of alumina last year, against 1.6m tonnes in 1988," said Mr Davis. "This is significant because alumina is value-added. Total bauxite production last year was about 9.5m tonnes, against 7.4m tonnes the previous year."
The prospects of the Jamaican industry were improved last month when a joint mining venture between the Government and a subsidiary of Reynolds Metals of the US to produce 2.6m tonnes of ore a year. Further expansion in ore production is in prospect. Officials in Georgetown, Guyana's

Record tea output forecast

THE UNITED Planter's Association of Southern India has forecast a world tea output record for 1990 of 2.55bn kg, based on information from various producing countries, reports Reuters from Coonoor.
The association estimates the calendar crop at 2.48bn kg, including China, the Soviet Union, Armenia and Turkey, for which final 1989 figures are not yet available.
In 1988 world production was 2.44bn kg.
UPASI said 1990 production would be aided by fair weather conditions and good prices, enabling profits to be ploughed back into the crop. It has forecast global export availability

of 1.05bn kg in 1990 compared with an estimated 1.07bn kg in 1989 and an actual 1.05bn kg in 1988.
Meanwhile the Indian Tea Association has forecast record domestic output of 720m kg this year, assuming an average growth rate and favourable weather.
The 1989 crop is estimated at 685m kg, adversely affected by reduced 1988 output to 67m kg.
The Association, noting a 10 gram per capita growth rate in domestic consumption, projected 1990 consumption at 510m kg, leaving a surplus of 210m kg for export, the same amount as exported in 1989.

WORLD COMMODITIES PRICES

Table with multiple columns: LONDON MARKETS, COCOA - London FOX, LONDON METAL EXCHANGE, LONDON BULLION MARKET, SOYABEAN MEAL - IFFE, GRAINS - IFFE, RUBBER - IFFE, SOYABEAN OIL - IFFE, SOYABEAN MEAL - IFFE, SOYABEAN OIL - IFFE, SOYABEAN MEAL - IFFE, SOYABEAN OIL - IFFE.

US MARKETS

Table with multiple columns: New York, GOLD 100 Troy oz, PLATINUM 50 Troy oz, SILVER 5,000 Troy oz, HIGH GRADE COPPER 25,000 Lbs, CRUDE OIL (Light) 42,000 US Gallons, SOYABEAN OIL (Light) 42,000 US Gallons, SOYABEAN MEAL 5,000 Lbs, SOYABEAN OIL 5,000 Lbs, SOYABEAN MEAL 5,000 Lbs, SOYABEAN OIL 5,000 Lbs.

Chicago

Table with multiple columns: SOYABEAN OIL 60,000 Lbs, SOYABEAN MEAL 100 Lbs, MAIZE 5,000 Lbs, WHEAT 5,000 Lbs, LIVE CATTLE 40,000 Lbs, LIVE HOGS 30,000 Lbs, SOYABEAN OIL 40,000 Lbs, SOYABEAN MEAL 40,000 Lbs.

WEEKLY METALS PRICES

Table with multiple columns: SELENIUM, COBALT, ANTIMONY, BISMUTH, MOLDYBENUM, CADIUM, HEATING OIL, SOYABEAN OIL, SOYABEAN MEAL, MAIZE, WHEAT, LIVE CATTLE, LIVE HOGS, SOYABEAN OIL, SOYABEAN MEAL.

TECHNOLOGY

Hugo Dixon explains a system that enables telephone companies to offer voice mail
Message of hope for frustrated callers

"THE TELEPHONE allowed us to transcend space. Voice messaging allows us to transcend time. You can be in Hong Kong, Tokyo, Moscow - it does not matter. You can still be firing messages off to one another."

Scott Jones, the 29-year-old chairman and chief scientist of Boston Technology, is singing the praises of voice messaging - a technology in which his four-year-old US company has become a world leader.

His claims may sound over-ambitious, but they become more credible when you think of the number of times you have failed to get through to people because either their switchboard takes ages to answer, or they are not at their desk, or they are engaged. About three-quarters of all phone calls in the US do not hit the mark for one of these reasons, according to IT consultants Dataquest.

And remember the frustration caused when a message is taken down inaccurately. Most people have grown so used to this phenomenon that they rarely leave a message. They leave a message more than their name and phone number. Anything longer is likely to get garbled.

The joy of voice messaging - often called voice mail - is that you can leave a message as long as you like for friends, colleagues and business associates in the knowledge that it will get through without any mistakes. It is also easier than sending somebody a letter or facsimile - you do not have to go through the laborious process of putting pen to paper - and has the advantage of con-

veying information.

Anybody who calls the US regularly will be familiar with voice mail. You phone a company and hear a recording like: "Good morning, this is Pinkerton & Pinkerton. If you know the extension of the party you are calling, enter it now. For a list of departments, press 1; for a human operator, press 2; or stay on the line..."

So you press 3456. "Hi, this is Jennifer," the machine answers. "I'm out of the office until Thursday morning, but I will be checking my mail box for messages every two hours so please leave a message. If you need to speak to somebody now, press 4567 to speak to my secretary."

Almost all such services are currently provided on an office-by-office basis over voice messaging systems attached to a company's switchboard. Boston Technology has gone a stage further by developing a system large enough to be used by telephone operators to provide services to the public.

So far, six of America's seven "Baby Bell" telephone operating companies, have chosen Boston Technology's CO

Access system. The group is starting to market the system in Europe, although it may be slow to take off because many phones still have dials instead of buttons.

Jones says his company's system opens up markets which are not served by the smaller single company systems. The most attractive is the residential market, with 83m phones installed in homes throughout the US. Jones predicts that 3m customers a year will convert to the service.

But isn't voice messaging nothing more than a fancy answering machine?

Jones agrees, but says it is precisely the fancy features that give it a competitive advantage. Customers pay a monthly subscription, currently set at \$5, and do not need to buy their own piece of equipment; every message is automatically marked with the date and time, and messages can be left while people are engaged, not simply when they are out.

Each member of a family can have his or her voice mailbox. So you can call up the home number and listen to messages like: "This is the Train family.

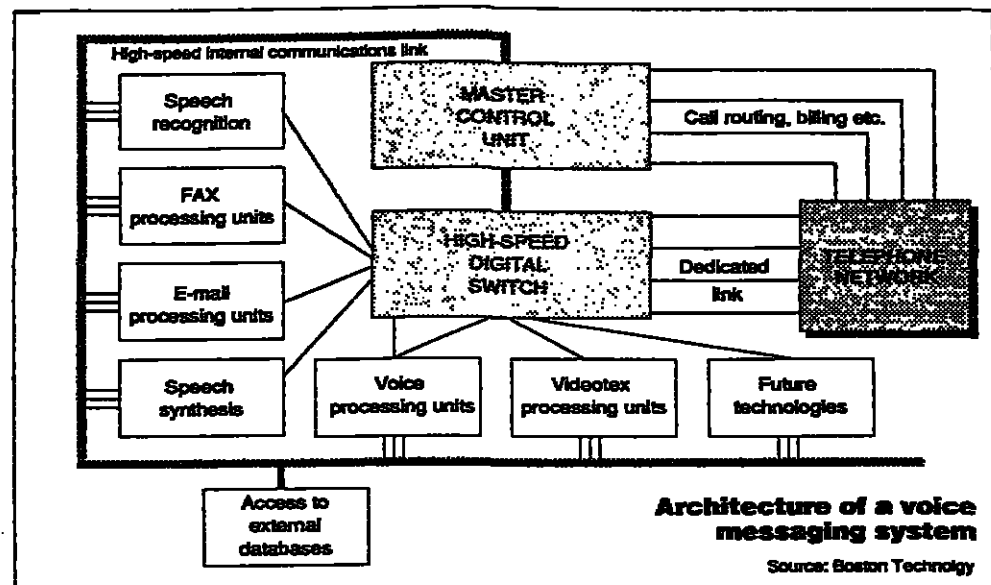
We are sorry nobody is here. To leave a message for Francine, press 1; for Bobby, press 2; for Linda, press 3; or press 0 if your message is intended for the family as a whole."

A feature that may be particularly useful in an office is group messaging. This would allow a sales director, for example, to give members of the sales force a pep talk every morning. The message would only have to be recorded once.

Voice messaging is not, however, without its problems. In some quarters, it has become unpopular because of a phenomenon known as "voice mail jail". This occurs when people call a company, only to be routed around a maze of computer options when they really want to talk to a human.

Part of the problem is that companies which install voice messaging often use it as an excuse to cut the number of human operators they employ. Another is that the software is sometimes badly designed, so that callers are faced with too many options.

Jones says automated operators are not suitable in all situations. Corporations, he says, may wish to continue to use



Architecture of a voice messaging system
 Source: Boston Technology

human operators to answer calls at their head offices, though the human operators could then connect callers to voice mailboxes. Automated operators are more useful after office hours, when the switchboard would not otherwise be manned, or as a back-up to overworked staff.

Another problem is that people may not look into their mailboxes regularly. So for the system to be effective, calling in needs to become habitual and users should make it clear when they are likely to retrieve their messages.

Boston Technology's system consists of three main elements: voice processing units

(VPUs); a high-speed digital switch; and a master control unit. Each VPU, essentially a computer on which the messages are stored, has 24 ports. The system can be configured to support up to 64 VPUs, giving 1,536 ports or 7,040 hours of storage.

The VPUs are connected to the telephone network via the switch. This directs callers who wish to leave or retrieve messages to the relevant VPUs. The control unit contains information about where messages for particular subscribers are held and is responsible for communicating details on billing, call routing and so forth to the telephone network. It is

also connected directly to the VPUs via an internal communications network. This allows VPUs to transfer messages to each other so that a caller can retrieve a message from a different VPU from the one on which it was left.

The CO Access System uses standard industry building blocks: 386 microprocessors; ethernet local area networks; and T1 telecommunications links, the US standard. Boston Technology has created the system's architecture and software. Jones says that, in future, it will be easy to add fax, electronic mail and videotex processing units.

This would mean, for

instance, that faxes could be stored in the system and retrieved at a time and place convenient to the recipient. People would be able to receive at home faxes originally sent to their offices. And by incorporating character recognition and speech synthesis devices, the system would even be able to dictate a fax over the phone.

Another application would be to use this sort of system as a gateway to databases provided by outside service companies. For example, airlines could link their databases containing times of flights, prices and seat availability to CO Access. Customers could then interrogate the system and book seats.

It would, of course, be possible for service companies to install their own dedicated systems to allow customers to talk to their databases - and some already do this. Similarly, the telephone operators could build separate systems to store and forward fax, electronic mail and videotex.

However, Jones argues that it will be cheaper to run all these services from a common platform. Integration would also mean that customers would be able to get access to all their fax, electronic mail, videotex and voice messages by calling a single number.

None of Boston Technology's customers have yet committed themselves to this heady future and, indeed, the company is still in the process of developing the applications. But Jones says that, when he talks to the Baby Bells about the potential uses, their eyes light up.

BT and the Government fling a digital lifeline to Highland businesses

Scotsmen returning from the Highlands of Scotland often enthuse over its unspoilt beauty. To businesses, however, the area's remoteness is less enchanting. As the fax machine produces yet another illegible document because of poor telephone links, at least one concern has admitted that it contemplated leaving the "Top Country" for smokier surroundings.

In response, British Telecom and the Highlands and Islands Development Board (HIDB), a UK Government body, are spending £16.35m on a programme that will make the region one of only a handful with an all-digital network.

The Highlands and Islands Initiative involves the installation, by 1992, of optical fibre cables and digital telephone exchanges in places as remote as Orkney, Shetland and

the Western Isles.

Sir Robert Cowan, chairman of the HIDB which is contributing £4.9m, says the initiative is "the most important single investment the board has made in the economic future of the Highlands and Islands."

The area will be one of the first six in the UK to have access to the Integrated services digital network (ISDN). This runs to the 1420 standard, suitable for linking to the Continent, Japan and the US. ISDN gives subscribers two high-capacity 64 kbit/sec data channels. Information can be sent 60 times as fast as over an ordinary voice line and at the same cost per minute.

The HIDB hopes improved communications will help to persuade companies to move part of their operations to the Highlands. John Lough, the board's telecommunica-

tions consultant on secondment from BT, says another goal is to encourage companies to start-up in such sectors as software and electronic publishing.

Yet he recalls how tough it was to push the idea through many layers of bureaucracy. There was resistance to giving BT, a privatised company, government cash for something that it would eventually do anyway.

Sceptics said the existing BT network was adequate for straightforward voice calls, if a little eccentric. Remote exchanges were powered by waterwheels and solar cells, and there were still telephone boxes of the antique "push button A" type that would baffle a Londoner used to microprocessor-controlled card phones.

Eventually the HIDB struck a deal with BT that included a claw-

back if the extra traffic carried by the improved links started to make the investment self-financing. BT is now installing System X digital telephone exchange equipment in 43 places in the Highlands.

It has also established the Network Services Agency (NSA), a local subsidiary which will help companies to exploit the improved links by offering such services as databases or electronic mail.

The NSA rents out processing power and disk space on its three DEC minicomputers so that companies do not need to make a big initial investment themselves.

Richard Eitty, managing director, says the NSA's "one-stop" philosophy means that a company could easily set up a complex system with public and private databases and several types of access, without having to co-ordinate

many suppliers. Companies do not need to be based in the Highlands, or even in the UK, to use the NSA.

The only service installed on the NSA computers at present is RurTel, an electronic conferencing and mail system for, say, researchers scattered across Europe. It is funded by the Arkleton Trust, Aberdeen, which studies new approaches to rural development.

John Bryden, the programme director based in Nethy Bridge, reports that when RurTel was established, it was expected that there would be 60 users. The pilot system has grown to 150. Organisations subscribing to RurTel can set up electronic conferences, restricting access as they wish.

The NSA will soon launch a mail, conferencing and data exchange service. Although initially marketed in Scotland, it will eventually

be offered across the UK.

An example of the way communications technology can boost local business is provided by Hi-Line, a holiday booking service. Ned Wayne, managing director, says he once considered moving the company from Dingwall, a small town 15 miles north west of Inverness, to Aberdeen because of the poor telephone links. Interim improvements and the promise of the ISDN link persuaded him to stay.

Hi-Line helped more than 19,000 people to plan their holidays in the region in the 12 months to September. Customers ring in to discuss their holiday. A single payment buys a customised package which can include car hire, ferry tickets, ski passes and accommodation selected from thousands of local guest houses and hotels, many too small to use computers themselves.

Hi-Line plans to link its database to Sabre or one of the other airline reservation systems. Then customers walking into a travel agent in Inverness, Florida, would be able to set up a personalised holiday in the original Inverness by having the travel clerk link into Hi-Line's computer 4,500 miles away.

When announcing the initiative, Malcolm Riffkind, Secretary of State for Scotland, said he expected at least 350 jobs to be created. BT has already decided to recruit 100 directory enquiry staff in Inverness to handle calls routed from London. It is hoped the target will easily be beaten if local businesses make full use of the opportunities created by having an all-digital network earlier than many other areas of Europe.

Gren Manuel

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FINANCIAL TIMES
 EUROPE & BUSINESS NEWSPAPER

LONDON SHARE SERVICE

BANKS, HP & LEASING				BUILDING, TIMBER, ROADS				ELECTRICALS - Contd				ENGINEERING - Contd				INDUSTRIALS (Misc.) - Contd				INDUSTRIALS (Misc.) - Contd											
199990	Stock	Price	Change	199990	Stock	Price	Change	199990	Stock	Price	Change	199990	Stock	Price	Change	199990	Stock	Price	Change	199990	Stock	Price	Change	199990	Stock	Price	Change	199990	Stock	Price	Change
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LONDON STOCK EXCHANGE

Bond markets set tone for equities

TRENDS IN other leading world stock markets continued to cast a spell yesterday over a London equity sector which spent much of the day moving within very narrow trading limits. Only in late deals, when Wall Street was falling in early trading, did UK equities begin to lose heart.

The market managed to hold on to its recent trading range, although an early attempt to move above the Footsie 2,300 mark proved unsuccessful, and a 5 point gain in the index was whittled away and then erased in early trading.

At the close, the FT-SE index was a net 6.8 points off at 2,322.0, partly in reflection of the 6 point fall then showing on the Dow Industrial Average. Securities of 2,321.2m shares, compared with 420.4m on Monday, was believed to include a substantial proportion of inter-dealer trades.

Reserve Board, to a US Congressional committee. The uncertainty which has crept into the UK equity market this week was blamed by the strategy team at County NatWest, the UK investment banking house on developments in world bond markets.

rates in the UK are having increasing effect on UK manufacturing, although the references to increased export confidence backed up the welcome signs of improvement in the British trade deficit.

FINANCIAL TIMES STOCK INDICES

Table with columns for Government Secs, Fixed Interest, Ordinary Share, Gold Mines, FT-SE 100 Share, Ord. Div. Yield, Equity Turnover, and GILT EDGED ACTIVITY. Includes sub-tables for FT-SE 100 Share and FT-SE Hourly changes.

Wellcome firm in late trade

News that Retrovir, Wellcome's anti-Aids drug, had been given a green light by the advisory committee to the US Food and Drug Administration came moments after the official close of trading in the London stock market. At that point the Wellcome price was 2 better on the day at 724p.

"strongly supported by bid speculation which is likely to persist." Marketmakers said the shares had gone past the downgrade stage and that any perceived weakness would only make a takeover bid more likely.

GRE shares at the end of last year, widely hinted to be Italy's Generali, had returned to the market. The water stocks enjoyed further gains after a buy note issued by Kleinwort Benson.

with Elders was about to come to take place. Interim profits barely ahead at £2.75m from Goodhead left the shares 4 off at 146p.

Capel said that the pre-season sales in furniture, silverware and sculpture had been successful, and had given the market some reassurance that Christmas would continue last year's trend in 1990.

TRADING VOLUME IN MAJOR STOCKS

Table showing trading volume in major stocks with columns for Volume, Change, and Price. Includes sub-tables for Volume Change and Volume Change.

Royal Bank of Scotland were given a rough ride in the market after press reports on the bank's exposure to "highly leveraged transactions".

Standard Chartered finally encountered some determined profit-taking after the break-up bid started in recent weeks, closing 3 off at 55p.

The sale by Next of its West German ladies fashion subsidiary, revealed on Monday, took 2 1/2 of the shares to 86 1/2p.

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LONDON SHARE SERVICE

Table with columns for BRITISH FUNDS, AMERICANS - Contd, INT. BANK AND O'SEAS, CORPORATION LOANS, COMMONWEALTH & AFRICAN LOANS, LOANS, FOREIGN BONDS & RAILS, and AMERICANS. Includes sub-tables for Index-Linked, Five to Fifteen Years, and Building Societies.

Royal Bank shares, which have been supported in recent months by persistent speculation of takeover bids for the bank, fell back to 201p early yesterday, but quickly rallied to their overnight level of 206p, before slipping again and closing a net 4 off at 204p.

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NEW HIGHS AND LOWS FOR 1989/90

Table listing new highs and lows for 1989/90 with columns for Stock, Price, and % Change.

APPOINTMENTS

Mr Charles A. Good, managing director of J.S. Gadd & Co., has been appointed director of SHOPTRE GROUP, Isle of Man. He was financial adviser to the company.

Five to Fifteen Years

Table listing appointments for Five to Fifteen Years with columns for Stock, Price, and % Change.

Over Fifteen Years

Table listing appointments for Over Fifteen Years with columns for Stock, Price, and % Change.

Undated

Table listing appointments for Undated with columns for Stock, Price, and % Change.

AMERICANS - Contd

Table listing appointments for AMERICANS - Contd with columns for Stock, Price, and % Change.

Standard Chartered personnel chief

Mr Martin Fish has been appointed head of group personnel at STANDARD CHARTERED from February 1. He will be responsible for the group's human resources world-wide.

Mr Michael Cornish

Mr Michael Cornish (above) has been appointed network development director from March at V.A.G. (UNITED KINGDOM), Milton Keynes, importer of Volkswagen and Audi vehicles. He was general manager, desk top software group, Bank Xerox Europe, and had previously worked in the motor industry at Ford and British Leyland International.

Mr Mark Jeffers, Ms Alison Montague, and Mr George Murdoch

Mr Mark Jeffers, Ms Alison Montague, and Mr George Murdoch have been promoted to associate director of CLP THE PROPERTY FINANCE BROKERS.

Mr Michael A. Ziff

Mr Michael A. Ziff (pictured) has been appointed managing director of STYLO, Leeds, a shoe retailing group. He was managing director of main subsidiary Stylo Barratt.

Mr Richard Morris

Mr Richard Morris, chairman of Benlox, have been appointed non-executive director of WESTMINSTER SCAFFOLDING GROUP.

EDINBURGH FUND MANAGERS

EDINBURGH FUND MANAGERS has made the following appointments from February 1: Mr Peter Archibald as joint company secretary.

LONDON SHARE SERVICE

Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-925-2128

MOTORS, AIRCRAFT TRADES

Table listing various motor and aircraft trade companies with columns for stock price, bid, offer, and volume.

PROPERTY - Contd

Table listing property-related companies and their share prices.

TRUSTS, FINANCE, LAND

Table listing trusts, finance, and land companies with their respective share prices.

TRUSTS, FINANCE, LAND - Contd

Continuation of the trusts, finance, and land companies table.

OIL AND GAS - Contd

Table listing oil and gas companies and their share prices.

MINES - Contd

Table listing various mining companies and their share prices.

COMMERCIAL VEHICLES

Table listing commercial vehicle companies and their share prices.

COMPONENTS

Table listing component companies and their share prices.

GARAGES AND DISTRIBUTORS

Table listing garage and distributor companies and their share prices.

OVERSEAS TRADERS

Table listing overseas trading companies and their share prices.

PLANTATIONS

Table listing plantation companies and their share prices.

THIRD MARKET

Table listing third market trading activity and prices.

NEWSPAPERS, PUBLISHERS

Table listing newspaper and publishing companies and their share prices.

SHOES AND LEATHER

Table listing shoes and leather companies and their share prices.

SOUTH AFRICANS

Table listing South African companies and their share prices.

TEXTILES

Table listing textile companies and their share prices.

TOBACCO

Table listing tobacco companies and their share prices.

PROPERTY

Table listing property companies and their share prices.

PAPER, PRINTING, ADVERTISING

Table listing paper, printing, and advertising companies and their share prices.

WATER

Table listing water supply companies and their share prices.

TRANSPORT

Table listing transport companies and their share prices.

OIL AND GAS

Table listing oil and gas companies and their share prices.

FINANCE

Table listing finance companies and their share prices.

REGIONAL & IRISH STOCKS

Table listing regional and Irish stocks with their share prices.

TRADITIONAL OPTIONS

Table listing traditional options and their prices.

INDUSTRIALS

Table listing industrial companies and their share prices.

PROPERTY

Table listing property companies and their share prices.

OHLS

Table listing OHLs (Overseas Holdings Limited) and their share prices.

MINES

Table listing mining companies and their share prices.

TITMS

Table listing TITMS (Titanium) and their share prices.

This service is available to every Company listed in the Stock Exchange throughout the United Kingdom at a fee of £150 per annum for each security.

FT UNIT TRUST INFORMATION SERVICE

Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

Main table containing unit trust information with columns for Name, Price, Yield, and other financial metrics. Includes sub-sections like 'National Financial Management Corp PLC', 'National Mutual Life Assurance Co Ltd', 'Royal Heritage Life Assurance Ltd', etc.

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

GUERNSEY (ISB RECOGNISED)

ISOM (ISB RECOGNISED)

LUXEMBOURG (ISB RECOGNISED)

ALLEN FROSTER INTL FUNDS (LUX)

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INSURANCES

OTHER UK UNIT TRUSTS

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar up as yen loses ground

THE DOLLAR and sterling were firm yesterday and there was active cross trading between the D-Mark and Japanese yen, with the yen weaker in general.

Y143.15 on Monday. The dollar also rose to DM1.6805 from DM1.6795; to SF1.4855 from SF1.4855; and to FF5.7100 from FF5.7050.

and early New York trading. Dealers said the D-Mark may have reached a near-term top and the yen remains vulnerable ahead of next month's elections to the Japanese lower house.

Covering of short positions gave the dollar support in a featureless market. Traders were looking for guidance from testimony before a Congressional committee by Mr Alan Greenspan, chairman of the US Federal Reserve Board, but there was little reaction to his comments.

Mr Greenspan said the recent slowdown in the economy is likely to be temporary and that the risk of a recession has declined. He added that inflation has stabilised but is too high a level.

The market took a cautious view of comments made in Moscow, by Soviet President Mikhail Gorbachev and Mr Hans Modrow, East German Prime Minister, appearing to favour German reunification.

EURO-CURRENCY INTEREST RATES

Table with columns for currency (Sterling, US Dollar, etc.), start date, and interest rates for various terms (3 months, 6 months, 1 year).

6 IN NEW YORK

Table showing 6-month interest rates for various currencies and terms.

STERLING INDEX

Table showing Sterling Index values for various months and years.

CURRENCY RATES

Table showing currency rates for various countries including US Dollar, Canadian Dollar, Australian Dollar, etc.

CURRENCY MOVEMENTS

Table showing currency movements and changes for various currencies.

OTHER CURRENCIES

Table showing other currencies including Argentine, Australian, Brazilian, etc.

MONEY MARKETS

Rates drift lower

THE DOWNWARD drift in London interest rates continued yesterday as sterling maintained a firm tone on the foreign exchanges.

forecast a flat credit position. This was revised to a surplus of £100m at noon and back to flat in the afternoon.

UK clearing bank base lending rate

15 per cent from October 5

markets to pre-empt a change. Three-month sterling interbank was quoted at 15-15 1/2 per cent, against 15-15 1/4 on Monday.

The call rate declined to 7.10 from 7.50 per cent. This was regarded as purely technical and not a sign of easier credit policy by the Bundesbank.

FINANCIAL FUTURES AND OPTIONS

Table showing financial futures and options for Liffe Long Gilt, Liffe US Treasury, and Liffe Eurodollar.

CHICAGO

Table showing Chicago market data including US Treasury Bonds and US Treasury Bills.

LONDON (LIFFE)

Table showing London (Liffe) market data including 28-year 9% National Gilt and 10-year 10% National Gilt.

ESTIMATED VOLUME

Table showing estimated volume for various financial instruments.

ROUND SPOT-FORWARD AGAINST THE POUND

Table showing round spot-forward rates against the pound for various currencies.

DOLLAR SPOT-FORWARD AGAINST THE DOLLAR

Table showing dollar spot-forward rates against the dollar for various currencies.

EMS EUROPEAN CURRENCY UNIT RATES

Table showing EMS European Currency Unit rates for various countries.

EXCHANGE CROSS RATES

Table showing exchange cross rates for various currencies.

FT LONDON INTERBANK FIXING

Table showing FT London Interbank Fixing rates for various currencies.

MONEY RATES

Table showing money rates for various currencies and terms.

LONDON MONEY RATES

Table showing London money rates for various currencies and terms.

BASE LENDING RATES

Table showing base lending rates for various banks and currencies.

Advertisement for SUCDEN (UK) LIMITED, featuring a line graph and text about futures and options trading.

Advertisement for FOOD INDUSTRY, mentioning financial times and a survey on 6th March 1990.

Advertisement for FT-SE 100, asking 'Where next?' and providing contact information.

Advertisement for JOTTER PAD, a crossword puzzle book.

Advertisement for GRANVILLE SPONSORED SECURITIES, listing various investment options and contact details.

Advertisement for IG INDEX, featuring a stylized logo and contact information.

FT UNIT TRUST INFORMATION SERVICE

Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring FT Cityline help desk on 01-825-2128

Main table containing unit trust information, organized into columns for various regions and fund types. Includes sections for 'DUBLIN (**)', 'OFFSHORE INSURANCES', 'ISLE OF MAN (**)', 'LUXEMBOURG (**)', and 'OTHER OFFSHORE FUNDS'. Each entry lists fund names, prices, and performance metrics.

Money Market Trust Funds

Money Market Bank Accounts

Table listing Money Market Trust Funds and Money Market Bank Accounts, including fund names, prices, and performance data.

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4pm prices January 30

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Main table containing stock prices, volume, and market indices. Includes columns for High, Low, Stock, Div. Yld., P/E, and various market data.

Continued on Page 39

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AMERICA

Dow declines as speculative issues retreat

Wall Street

A SELL-OFF of takeover stocks, coupled with increased concerns about interest rates pulled the stock market broadly lower yesterday in fairly active trading, writes Karen Zagor in New York.

The Dow Jones Industrial average was closed at 2,543.24, down 10.14 points, compared with a drop of 5.85 points to 2,553.38 on Monday. Volume on the New York Stock Exchange was moderate, with 187.7m shares changing hands. On the big board, declining issues led those advancing by 1,155 to 394.

The stock market slump was broadly based, with all of the major US stock market indices falling. The important Standard & Poor's 500 was off 2.23 points at 322.97, the New York Stock Exchange Composite was 1.31 points lower at 1,784.2

and the American Exchange Composite fell 4.04 points to 345.50.

Among other Dow Jones stock averages, the transportation index fell sharply by 42.67 points to 1,031.83. The utilities index recovered to close up 0.18 points at 218.69 after sliding as much as 2.14 points earlier in the day.

The weakness in the stock market was initially mirrored in the debt market, but bonds later rallied on the back of a strong dollar. The dollar, which ended the day at about ¥144.95 and DM1.6970, rose on reports that Soviet Premier Mr Mikhail Gorbachev was planning to step down as head of the Communist party. The Treasury's bellwether 30-year issue was quoted up 1/2 point, yielding 8.54 per cent.

The stock market was somewhat depressed by remarks by Mr Alan Greenspan, chairman

of the Federal Reserve, who said that the likelihood of a recession was less than 50 per cent, but that the risk was "not negligible".

Hilton Hotels fell 3/4 to \$57. The company's board was scheduled to meet yesterday to discuss whether to accept one of several takeover bids, or to recapitalize or to remain a public company.

UAL, the parent of United Airlines and a perennial takeover issue, dropped 1/2 to \$120.75. Stride Rite, another takeover candidate, plunged 3/4 to \$20 and DeSoto lost 1/4 to \$31.4. Holiday Corp was down 1/4 to \$58.

Issues of several companies where deals have failed recently also moved lower yesterday. MCM-USA slumped 1/2 to \$11. Phillips Industries was off 5/8 to \$12.7 and Birmingham Steel fell 1/4 to \$15.4.

MCI Communications

plunged 3/4 to \$31.4 in heavy over-the-counter trading after the company reported disappointing fourth-quarter operating income of 53 cents a share. United Telecommunications was down 1/4 to \$31.4 in heavy trading, reflecting concerns about the long distance telephone industry after MCI's lower earnings and comments from American Telephone & Telegraph, saying the company expects a slowdown in growth for 1990. AT&T fell 1/4 to \$37.75, it was the most heavily traded stock on the New York Stock Exchange yesterday.

Being gained 3/4 to \$58.4 in spite of lower-than-expected fourth quarter earnings. Analysts believe losses from the company's defence and space unit, which were \$474m in 1989, have finally bottomed out.

A number of closed-end single-country funds moved lower yesterday. The Germany Fund,

which has been a Wall Street favourite thanks to recent political changes in eastern Europe, dropped 3/4 to \$22.4.

Among blue chip stocks, Philip Morris was up 1/4 to \$37.75, IBM rose 1/4 to \$97.4 and Coca-Cola fell 1/4 to \$66.5.

ASIA PACIFIC

Worries about short-term prospects trim early gains

Tokyo

THE YEN'S continued firmness against the dollar failed to excite investors back into the market and share prices drifted marginally higher in slow trading, writes Michiko Nakamoto in Tokyo.

A lack of new incentives and uncertainty about the market's near-term prospects undermined an initial uptrend, while selling in arbitrage with the futures market also trimmed the Nikkei's earlier gains. After fluctuating from a high of 37,336.11 to a low of 37,192.23, the Nikkei closed with a slight gain of 41.97 at 37,215.57.

Index-linked buying by newly launched investment trust funds, along with futures-related trading, took the Nikkei index higher in early trading, with a rise of more than 130 points in the first 15 minutes of trading.

Advances led declines by 546 to 372, while 200 issues were unchanged. Turnover was up slightly to 477m shares from the 430m traded on Monday. The broad-based Topix index saw a moderate gain of 4.46 to 2,741.22 and, in London trading, the ISE/Nikkei 50 index rose 1.64 to 2,051.08.

Mr Mitsuru Masakawa at Jardine Fleming said that, although prices had fallen in some sectors to attractive levels, the uncertain future for the market was making it very difficult for investors to go bargain-hunting.

Although it was possible that the Nikkei had bottomed out, as it had rebounded above the 37,000 level after falling below it several times, there was concern that it could fall further, Mr Masakawa said.

At the same time, most analysts thought that, as investors' cash positions are high, there could be another run before the closing of books at the end of March. Such a scenario, however, depended on whether or not political stability could be maintained, both up to and after the national elections to the Lower House of the Diet scheduled for mid-February.

Even if the ruling Liberal Democratic Party maintained a majority, there was still a possibility that things could

become complicated by factional infighting over the prime minister's post after the elections.

The fragility of the market was clearly reflected in its reaction to Sony's announcement that it plans to issue yen warrant bonds. At a time when hopes had been pinned on electricals to lead the market, news of the financing plan took Sony's share price down ¥340 to ¥8,310. If the market had been healthy, it would have ignored the news, one trader said.

Other electricals were also weak, with Toshiba falling ¥30 to ¥1,200 and Pioneer off ¥100 to ¥1,550.

Heavy capitalisation issues, on the other hand, were back in focus. Kawasaki Steel topped the actives list with 38.8m shares and gained ¥21 to ¥829. Ishikawajima-Harima Heavy Industries followed with 19.7m shares and rose ¥30 to ¥1,350.

Such issues were looking cheap as they had been neglected for some time.

Issues supported by strong domestic demand, such as housing and railway stocks, were pursued in Osaka, contributing to a 22.35-point rise in the OSE average to 38,157.78. Volume improved to 61m shares from the 58m traded on Monday. Toyo Shutter gained ¥280 to ¥3,690.

cents to A\$6.80. Westpac shed 4 cents to A\$6.06 and ANZ slipped 6 cents to A\$6.32.

Turnover totalled 118m shares worth A\$20m, considerably lighter than Friday's 167m valued at A\$40m.

BHP, the resources sector leader, added 21 cents to A\$10.05 after finding support in a weaker Australian dollar, firmer base metals prices and demand for scarce quality scrip.

News Corp cast a cloud over the media sector, with a 30 cent fall to A\$12.50 amid concerns about its debt.

SINGAPORE took its lead from Tokyo, with the Straits Times industrial index rising 28.61 points. Turnover was moderate at 90m shares valued at S\$188m.

HONG KONG encountered slight selling by overseas investors which local investors failed to follow, while trade was generally thin after the holiday weekend. The Hang Seng index fell 8.06 to 2,760.5 and turnover slipped to a thin HK\$519m compared with last Thursday's HK\$323m.

Overseas interest helped Cheung Kong, the company's biggest business empire, rise 10 cents to HK\$9.95.

Mandarin Oriental, the luxury hotels group, added 15 cents to HK\$5.10 on speculation that it might be the target of a French predator. One analyst said that it was being singled out because "it seemed most likely to be the stock that would shine through the gloom," in spite of pessimistic figures for hotel occupancy.

MANILA eased on profit-taking in weak activity. The Manila composite index dipped 2.28 to 1,063.64.

WELLINGTON was again volatile. The Barclays index fell 16.51 to 1,923.87 as turnover returned to a moderate 6m shares worth NZ\$10m.

SEOUL fell sharply in active trading. The composite index lost 8.55 to 888.47.

BOMBAY fell across the board as brokers ended their boycott. Trading resumed after the stock exchange authorities reduced the penalties which it imposed on two brokers last week for failing to deposit margin money on their outstanding positions. The Bombay index fell 15.15 to 701.08.

EUROPE

Special situations caught in the spotlight

INDIVIDUAL stocks and sectors provided much of the excitement in Europe yesterday, as France retreated and West Germany closed little changed, writes Our Markets Staff.

PARIS was steeped in pessimism as share prices declined in another low-volume session, but there were a few buying opportunities which attracted interest.

The CAC 40 index, which lost 12.88 to 1,892.03, was hit by a 15.7 per cent fall in Casino, a retailer and the most active stock. Some analysts had cut significantly their estimates of sales for the second half, catching the market by surprise, said one observer. Casino dropped FF22.20 to FF164.

Fromageries Bel moved in the opposite direction, gaining FF120 to FF1,400. The rise was partly because it looked cheap after recent falls, and partly on takeover speculation.

The oil group Elf Aquitaine declined after estimating that net profits would be below expectations at more than FF77m, after a FF80m depreciation charge. Its shares lost FF12 to FF54 on profit-taking after their recent rise.

Bouygues, the construction company, eased FF10 to FF585 after reporting earnings

in line with expectations.

Michelin, the tyre company, continued to bounce about, losing FF4 to FF159 after Monday's FF6 gain and Friday's FF11.50 loss. There are rumours that the company is planning a capital increase.

Overall turnover was estimated at FF22bn.

FRANKFURT concentrated on the chemical sector, which advanced strongly in a generally mixed market. The DAX index was up only 1.03 at 1,821.57 at the close, recovering from an early fall of about 8 points, and the FAZ rose 0.46 to 758.64. Turnover rose from DM6.9bn to DM7.3bn.

"The key factors that have been subduing the market have been events in the Soviet Union and the growing political vacuum in East Germany. The market has taken some comfort from the calling of early elections there," said one observer.

Chemical stock turnover was high with much demand from overseas. Investors sensed that the sector was undervalued and reacted to positive analysts' recommendations and speculation about higher dividends. BASF was up DM3.30 at DM207.30. Bayer put on DM3 to DM314.50 and Hoechst rose DM7.80 to DM303.10.

"The attraction of the fundamentals in the sector is well known. Japanese investors have been buying heavily because they see the stock as a good, longer term prospect with p/e ratios of 7.5 and some of the lower, sound dividends and good liquidity," an analyst said.

Deutsche Bank led its sector lower after rumours, later confirmed, of a capital increase at the country's largest bank. It fell DM4 to DM812. The bank has set a one-for-17 rights issue priced at DM600 and raising its dividend on 1989 results to DM14 from DM12.

AMSTERDAM saw foreign buyers creep back into the market, helping shares make gains in moderate volume. The CBS tendency index added 1.0 to 115.6.

Some large buy orders for Nedlloyd swelled turnover; the stock gained F12.60 to F184.90. Royal Dutch rose F1.90 to F142.10 in the day's most active trading and Unilever

picked up F1.30 to F1150.60.

Heineken, which said it would cut 700 jobs in the next four years, rose F1.30 to F118.60. Philips, which signed a F180m contract with the education ministry, gained 10 cents to F143.

BRUSSELS was again mixed because of interest rate fears, with activity centred on Cockerill, the steel group, which made a strong start in heavy trading. The cash market index rose 1.26 to 6,259.76.

Cockerill improved by 1 per cent, adding BF2 to BF199 as 164,500 shares changed hands.

Fabrique Nationale Herstal, the small arms, sporting goods and aeronautics group, forecast a consolidated net loss for 1989. It fell BF10 to BF497.

Petrofina eased BF50 to BF11.82. After the close, the company reported an 8 per cent profit rise.

Société Générale de Belgique, the holding company, again denied a report that it was negotiating the sale of a large stake in its metals arm, Acec-Union Minière, to RTZ, the US mining group. Société Générale put on BF35 to BF1450.

MADRID continued to edge higher on institutional demand after last week's retreat. The construction sector again per-

formed well, with Urbis gaining 14 percentage points to 411 per cent of par.

Banesto, the bank, which moved on to the continuous market on Monday, rose Ptas50 to Ptas260 after the previous day's Ptas175 decline. The general index gained 1.54 to 276.49.

MILAN fell on a broad front in thin trading. A negative tone was blamed on domestic political tension and uncertainty in financial markets abroad. The Comit index fell 4.68 to 679.99.

Much of the negative tone stemmed from reaction to last week's Fiat earnings report. Fiat lost L70 to L10,505 at the close, but then fell to L10,380 in the after-market.

STOCKHOLM moved slightly higher in trade reduced to a trickle by the wage dispute, which has crippled the entire Swedish banking system. Total turnover was a tiny SKr35m. The Affärsvärlden General index rose 9.5 to 1,227.4.

HELSINKI fell in thin trade, with shares in United Paper Mills closing sharply lower. The United all-share index shed 3.2 to 660.8. UPM free shares dropped FM30 to FM221 after rising recently.

OSLO closed mostly higher in active trading. The all-share index rose 1.14 to 565.72.

Turkey survives fake shares and a bomb

Jim Bodgener on the bull run that some analysts say is a bubble that could burst

ISTANBUL'S emerging stock market, the IKMB, appears to have weathered the squalls following a dummy share scandal and a botched terrorist bomb attack last week. Yesterday, after a few days in sackcloth and ashes, it seemed to be back in the bull run which dates back to the beginning of January.

At close of trading yesterday, the IKMB index was 3,470 on a trading volume of TL73.9bn (\$31.4m), up from 3,199 on Monday. It last peaked at 3,811, mid-way through last week.

Altogether, five people have been taken into police custody, pending an investigation by the government and the watchdog Capital Markets Board (CMB) in Ankara into the issue of fake shares in the market leader, Cukurova Elektrik. The shares had been floating undetected on the market from November; a statement from the authorities is expected later this week.

But what seems to have brought the index down, according to both stock exchange officials and dealers,

was the exclusion on security grounds of individual, small investors from the exchange building following the bombing attempt on Tuesday, in which the terrorist blew himself up. Only leading brokers and traders - by Istanbul standards, at least - have been permitted entry.

"It has led to a better, professional atmosphere," says one dealer in a subsidiary of a large bank. "The exchange management, anyway, was looking for a reason to stop the small fry clogging up the works."

The minor slump has come as a salutary lesson to an overheating market, say exchange officials and traders. In spite of the recent setback, the index yesterday was showing a rise of more than 50 per cent from the 2,217 it reached on the last day of business in 1989.

There are mixed predictions about the path the market will take from now on: some say that it will probably start falling again towards the end of the week, others that it has bottomed out, and will begin to climb again. "It is a dangerous,

unpredictable market for small investors, who are most exposed to large fluctuations," said an exchange source.

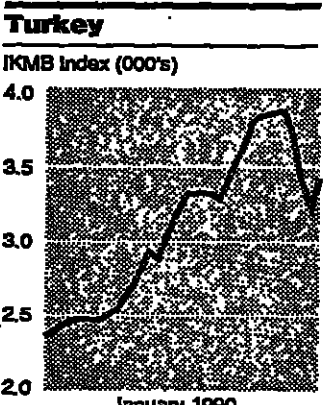
Other critics say that the market has risen out of all proportion to corporate performance, and that last week's events only deferred the bursting of a dangerous bubble. They argue that, to safeguard the capital market as a whole, the family owners of large corporations should release more of their jealously guarded

equity, which would then soak up unrequited investment demand.

Foreign investor interest in the exchange - lately from US and European-based funds - has boosted the market since last August, when it was poised to direct foreign investment by deregulation in a decree aiming at lira convertibility.

Meanwhile, the phoney share scandal could involve anything between TL10bn and TL100bn. But it has not dented confidence in Cukurova, which had a price/earnings ratio of about 14, and is being pursued by foreign and local investors alike. It was still the market leader yesterday.

One leading Turkish institution, Iktisat Bankasi, has said that it will compensate in full (an estimated total TL300m) for the fake shares it transferred to accounts retained with the bank. "I think that the stock exchange is still such a small baby that there's bound to be some kind of suggestion," said Iktisat chief executive Mr Erol Aksoy. "We're still on a learning curve."




FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY JANUARY 30 1990					MONDAY JANUARY 29 1990					DOLLAR INDEX	
	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989/90 High	1989/90 Low	Year ago (approx)
Australia (84)	151.58	+1.0	133.53	131.72	+0.6	5.18	150.07	132.55	130.90	160.41	128.28	157.12
Austria (19)	219.88	+1.1	193.70	191.81	+1.2	1.25	217.39	192.02	189.18	219.88	202.64	205.08
Belgium (61)	150.48	+0.0	132.57	130.08	+0.0	4.30	150.57	132.99	130.14	160.02	125.58	134.28
Canada (120)	138.99	-0.5	122.44	119.82	-0.4	3.34	139.78	123.44	120.27	154.17	124.67	135.31
Denmark (38)	248.30	+1.0	218.07	215.98	+1.1	3.50	248.75	215.99	214.58	250.94	195.35	154.49
Finland (25)	148.23	+0.4	130.59	122.80	+0.4	2.54	147.71	130.87	122.37	158.16	118.63	122.85
France (125)	148.72	-0.6	131.89	134.10	-0.5	2.81	150.60	133.02	134.77	157.97	112.57	116.23
West Germany (98)	127.00	+0.0	111.88	110.98	+0.0	1.90	127.92	112.19	110.90	130.32	79.56	84.04
Hong Kong (45)	113.30	+0.4	99.81	99.82	+0.0	1.82	113.72	100.45	114.04	140.38	88.41	127.75
Ireland (17)	194.21	-1.0	171.08	173.99	-1.0	2.50	193.53	173.59	175.43	198.57	125.00	135.47
Italy (96)	97.89	-0.7	85.23	91.34	-0.8	2.51	98.62	87.11	82.06	102.11	74.97	81.34
Japan (459)	198.37	-0.4	164.17	169.54	+0.2	0.48	197.18	165.33	169.57	200.11	164.22	190.90
Malaysia (36)	226.17	+0.2	199.24	205.01	+0.0	2.28	225.81	198.46	204.99	228.21	143.36	154.85
Mexico (13)	338.23	+1.9	287.98	298.48	+1.9	1.52	332.03	283.28	280.16	338.23	163.32	160.22
Netherlands (43)	138.35	+1.3	121.87	119.54	+1.3	4.50	138.63	120.69	118.02	145.66	110.83	119.24
New Zealand (18)	69.03	-0.5	61.34	61.86	-0.9	5.70	70.01	61.84	62.40	88.18	62.64	71.13
Norway (24)	218.42	+1.5	192.41	192.11	+1.5	1.42	215.28	190.15	189.20	219.26	139.92	158.78
Singapore (24)	167.80	+2.8	165.26	160.89	+2.4	1.81	162.49	161.19	157.01	169.94	124.57	139.08
South Africa (50)	227.57	-1.5	200.47	197.19	-0.2	3.33	231.14	204.16	187.29	231.14	143.14	148.26
Spain (43)	154.65	-0.1	138.25	126.89	-0.2	4.17	154.78	138.71	127.10	188.75	143.14	148.26
Sweden (35)	135.64	+0.3	122.34	126.81	+0.1	1.94	135.13	122.35	126.71	206.95	138.45	148.85
Switzerland (32)	151.84	+0.2	132.21	127.22	+0.0	1.05	151.84	132.21	127.22	164.21	133.26	149.29
United Kingdom (305)	159.36	+0.0	140.38	140.38	-0.3	4.50	159.39	140.79	140.79	164.21	133.26	149.29
USA (542)	130.61	-0.7	115.06	130.61	-0.7	3.61	131.55	115.19	131.55	148.29	112.13	129.92
Europe (889)	142.09	+0.0	125.17	124.93	-0.1	3.42	142.16	125.57	125.09	148.66	112.62	118.67
Nordic (121)	182.98	+0.7	170.00	165.16	+0.6	1.73	181.65	169.28	164.13	198.12	137.95	152.23
Pacific Basin (667)	182.35	-0.4	160.64	166.04	+0.2	0.73	183.03	161.67	165.78	194.72	160.44	186.79
Europe - Pacific (1692)	158.44	-0.3	148.62	149.86	+0.1	1.66	158.87	147.40	149.55	174.18	141.56	150.54
North America (862)	131.02	-0.7	114.42	129.91	-0.1	3.50	131.95	118.54	130.85	148.68	112.79	121.75
Europe Ex. UK (663)	130.28	-0.1	114.77	115.40	+0.0	2.70	130.37	115.15	115.41	134.68	112.79	121.75
Pacific Ex. Japan (212)	134.10	+0.7	118.13	121.03	+0.4	4.78	133.22	117.67	120.55	140.05	111.93	137.41
World Ex. US (1849)	168.19	-0.2	148.39	149.09	+0.1	1.73	168.65	147.20	149.01	173.77	141.49	158.37
World Ex. UK (2085)	151.84	+0.2	132.21	132.13	+0.2	2.07	152.29	134.73	143.39	162.00	136.98	143.39
World Ex. So. Am. (2831)	182.04	-0.4	138.93	142.69	-0.2	2.28	182.85	134.63	142.01	161.84	138.87	144.02
World Ex. Japan (1936)	138.55	-0.4	120.29	128.05	-0.4	3.57	137.09	121.09	129.58	145.62	114.51	121.36
The World Index (2391)	152.49	-0.4	134.34	142.83	-0.2	2.20	153.12	135.25	143.08	162.05	136.68	143.90

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Cilva Holdings PLC

a consortium composed of

Lease International S.A.

General Motors Corporation

and

Avis Inc.

has acquired

Avis Europe plc

The undersigned acted as financial advisers to Cilva Holdings PLC

Lazard Brothers & Co., Limited **Lazard Frères & Co.**

January 1990

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NYSE COMPOSITE PRICES

NASDAQ NATIONAL MARKET

3pm prices January 30

Table of NYSE Composite Prices listing various stocks with columns for stock name, price, and change.

Table of NASDAQ National Market listing various stocks with columns for stock name, price, and change.

Notes explaining the data in the tables, including symbols for 'S' (split), 'D' (dividend), and 'C' (close).

AMEX COMPOSITE PRICES

4pm prices January 30

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NYSE COMPOSITE PRICES

NASDAQ NATIONAL MARKET

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